AIR 88 INC. - SUBLEASES
Hangars 1 thru 29

HANGAR #	OWNER	FEE PAID	DATE OF SUBLEASE	INSURANCE
1	Michael Borden	Y	05/08/97	03/27/02
2	Michael Borden	Y	09/13/95	03/27/02
3	113 Inc.(Simon T)	Y	03/03/99	~~07/02/01~~ 8/20/01
4	Simon T	Y	03/08/96	07/02/01 8/20/01
5	Kim Lilly	Y	05/16/97	01/10/02
6	Greg Mattson	Y	10/03/96	03/08/02
7	Talon Aviation, LLC	Y	09/25/00	
8	Ron Vinci	Y	03/13/97	11/15/01
9	Sterling Leasing	Y	06/01/97	02/01/01
10	Jon Gilbert	Y	06/01/97	10/31/01
11	Kim Lilly	Y	06/06/97	01/05/02
12	Kim Lilly	Y	06/06/97	01/05/02
13	B.A. Hangar Rentals, LLC		9/28/00	01/05/02
14	Riverplace, LLC	Y	12/28/00	06/03/01
15	Ronald Scott	Y	06/22/98	02/01/02
16	Michael Borden	Y	03/02/00	03/27/02
17	Airport Rental & Leasing (K Lilly)	Y	03/07/00	03/01/01 01/05/02
18	Darrow & Elizabeth Roundy	Y	08/06/98	06/01/01
19	Timothy Spears	N		05/21/01
20	Blue Sky Aviation	Y	02/21/99	09/10/01
21	Mark & Diana Levy	Y	02/25/99	09/27/01

AIR 88 INC. - SUBLEASES
Hangars 1 thru 29

HANGAR #	OWNER	FEE PAID	DATE OF SUBLEASE	INSURANCE
22	John Downing	Y	06/05/00	07/09/01
23	Liquid Investments, Inc.	Y	03/23/00	03/01/02
24	Michael Borden	Y	05/10/99	03/27/02
25	Polestar Lab Inc.	Y	05/03/00	01/26/02
26	Ron Vinci	Y	03/22/00	11/15/01
27	George Hubbard	Y	03/06/00	04/19/02
28	Progress Air, Inc.	Y	02/18/00	09/25/01
29	Don & Alice Fehrenback	Y	04/10/00	08/25/01

(a:/Air88subinsur)
Rev. 06/25/2001

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Air 88 Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Sublease Agreement dated November 20, 2002 between LESSEE (also referred to as SUBLESSOR) and

Reinaldo Beyer and Elizabeth Noll (SUBLESSEE)

for a portion of LESSEEs leased premises, specifically Hangar A, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The SUBLEASE shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the SUBLEASE. The CITY is not bound by any term or condition in the SUBLEASE which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the SUBLESSEE and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure SUBLESSEE does not assign the SUBLEASE or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE. Pursuant to City Charter Section 225, incorporated herein, the City Manager must review and approve every person or entity which will have any direct or indirect interest in this SUBLEASE as a sublessee or assignee, which approval may not be unreasonably withheld.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY, its elected officials, officers, representatives, agents and employees from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of SUBLESSEE, its agents or invitees; provided, however, LESSEE and 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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its SUBLESSEE be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be two million dollars ($2,000,000) Combined Single Limit Liability. LESSEE shall require SUBLESSEE to file with CITY a copy of the policy of insurance which shall name "The City, its elected officials, officers, representatives, agents and employees" as an additional insured on a separate endorsement prior to SUBLESSEE'S occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice

to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

7. SAN DIEGO'S STRONG MAYOR FORM OF GOVERNANCE: All references to "CITY Manager" in this Consent to Sublease shall be deemed to refer to "Mayor or his/her designee." This section shall remain in effect for the duration CITY operates under the mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the San Diego City Charter.

8. AUTHORITY: Each individual executing this Consent to Sublease on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Consent to Sublease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Consent to Sublease is binding upon such person or entity in accordance with its terms. Each person executing this Consent to Sublease on behalf of another person or legal entity shall provide CITY with evidence, satisfactory to CITY, that such authority is valid, and such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

THE CITY OF SAN DIEGO

Dated 11 July 2007

By _____
Michael C. Tussey
Deputy Director, Airports Division

LESSEE

Dated 5/16/07

By _____
Kevin O'Donnell
Chief Executive Officer, Air 88 Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 13 July 2007

By _____
Deputy City Attorney

COPY

CONSENT TO ACCEPTANCE OF SUBLEASES
TO FLAT-RATE LEASE AGREEMENT BETWEEN CITY AND AIR 88, INC.

The City of San Diego hereby approves the attached Acceptance Of Subleases to allow the subleases to transfer to the new lease agreement, which is filed in the office of the City Clerk as Document No. 0-18298. The terms of the Consent To Sublease Agreements and the Master Lease shall supersede any inconsistencies in the subleases themselves.

CITY OF SAN DIEGO
CITY MANAGER

Date: 8/30/96

BY: Carole A. Lowe
Airports Real Estate Manager

APPROVED AS TO FORM:
JOHN W. WITT, CITY ATTORNEY

Date: 8/30/96

By:
Head Deputy City Attorney

DOCUMENT NO. O-18298-2
FILED SEP 09 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

ACCEPTANCE OF SUBLEASES UNDER FLAT-RATE LEASE
AGREEMENT BETWEEN CITY AND AIR 88, INC.

By signing below, Air 88, Inc. and its Sublessees, hereby agree that effective June 1, 1996 all the sublessees shown below are accepted under my new flat-rate lease (Document 00-18298) without any changes in the terms and conditions in the sublease agreements.

1. Air 88, Inc. and Ronald Vinci,, Pat O. Daily and Evergreen Aviation Inc. (Document No. 769730-1)

2. Air 88, Inc. and Simon T. (Document No. RR-27626-8)

3.Air 88, Inc. and Scandinavian Flight Academy (Document No. RR272626-9)

4.Air 88, Inc. and Shier Aviation Corporation (Document No. C-06372)

5.Air 88, Inc. and American Flyers (dated 10-01-89)

6.Air 88, Inc. and Michael Borden (2 subleases: Document Nos. RR282626-4 and RR272626-5)

7.Air 88, Inc. and Mark and Diana Levy (Document No. C-06650)

8.Air 88, Inc. and Crownair Charter, Inc. (Document No. RR-272626-7)

AIR 88, INC., LESSEE/SUBLESSOR

By:_____
Giorgio Cagliero

Date: 8/13/96

(1) RONALD VINCI, EVERGREEN AVIATION, INC. AND PAT O. DAILY

By:_____
Ronald Vinci

Date: 8/28/96

By:_____
Evergreen Aviation Inc.

Date: 8/13/96

By:_____
Pat. O. Daily

Date: 8/13/96

(2) SIMON T.

By:_____
Simon T.

Date: 8/13/96

(3) SCAND INAVIAN FLIGHT ACADEMY

By:_____

Date:_____

(4) SHIER AVIATION CORP.

By:_____

Date:_____

(5) AMERICAN FLYERS

By:_____

Date:_____

(6) MICHAEL BORDEN

By:_____
Michael Borden

Date:_____

(7) MARK AND DIANA LEVY

By:_____/_____
Mark Levy Diana Levy

Date:_____/_____

(2) SIMON T.

By:_____
Simon T.

Date:_____

(3) SCANDINAVIAN FLIGHT ACADEMY

By: [signature]

Date: 8/13-96

(4) SHIER AVIATION CORP.

By:_____

Date:_____

(5) AMERICAN FLYERS

By:_____

Date:_____

(6) MICHAEL BORDEN

By:_____
Michael Borden

Date:_____

(7) MARK AND DIANA LEVY

By:_____/_____
Mark Levy Diana Levy

Date:_____/_____

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Air 88 Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Sublease Agreement dated May 25, 2006 between LESSEE (also referred to as SUBLESSOR) and

Bangar, LLC (SUBLESSEE)

for a portion of LESSEEs leased premises, specifically Hangar B, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The SUBLEASE shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the SUBLEASE. The CITY is not bound by any term or condition in the SUBLEASE which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the SUBLESSEE and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure SUBLESSEE does not assign the SUBLEASE or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE. Pursuant to City Charter Section 225, incorporated herein, the City Manager must review and approve every person or entity which will have any direct or indirect interest in this SUBLEASE as a sublessee or assignee, which approval may not be unreasonably withheld.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY, its elected officials, officers, representatives, agents and employees from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of SUBLESSEE, its agents or invitees; provided, however, LESSEE and 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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its SUBLESSEE be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be two million dollars ($2,000,000) Combined Single Limit Liability. LESSEE shall require SUBLESSEE to file with CITY a copy of the policy of insurance which shall name "The City, its elected officials, officers, representatives, agents and employees" as an additional insured on a separate endorsement prior to SUBLESSEE'S occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice

to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

7. SAN DIEGO'S STRONG MAYOR FORM OF GOVERNANCE: All references to "CITY Manager" in this Consent to Sublease shall be deemed to refer to "Mayor or his/her designee." This section shall remain in effect for the duration CITY operates under the mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the San Diego City Charter.

8. AUTHORITY: Each individual executing this Consent to Sublease on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Consent to Sublease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Consent to Sublease is binding upon such person or entity in accordance with its terms. Each person executing this Consent to Sublease on behalf of another person or legal entity shall provide CITY with evidence, satisfactory to CITY, that such authority is valid, and such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

THE CITY OF SAN DIEGO

Dated 11 July 2007

By _____
Michael C. Tussey
Deputy Director, Airports Division

LESSEE

Dated 6/29/07

By _____
Kevin O'Donnell
Chief Executive Officer, Air 88 Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 13 July 2007

By _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Vincent Renda,** herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, herein called "City", on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 10.1 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B. This Sublease relates specifically to the area shown as **Hangar # B.**

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased an aircraft hangar (Hangar # B) on the Premises. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease (as evidenced by a "Consent to Sublease Agreement").

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on the date of **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease, subject to approval by the City, will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

   (b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

   (c) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease.

3753 John J. Montgomery Drive • San Diego, California 92123
(858) 277-1453 • (888) CROWNAIR • FAX (858) 277-1937
www.crownairaviation.com

Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat rate of **Four Hundred and Forty Five Dollars ($445) per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") based on increases in the Consumer Price Index as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Riverside-Orange County Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the CPI increases mentioned above the rent is subject to fair market value increases mirroring any such adjustment applied by the City to the Master Lease.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide a trash bin for the disposal of a limited quantity of non hazardous waste; however, in the event of lease termination and attornment, the City shall not be required to provide a trash bin. In any event, the removal of excessive (as determined by Sublessor) and/or hazardous waste from Hangar # B shall be the responsibility of Sublessee. Any utilities to be paid by sublessee shall have an agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All Real Property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessee. Should the governmental entity bill Sublessor then Sublessor will pay the bill on behalf of the Sublessee, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Hangar # B on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees, filing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum legal rate.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage. Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft so as to be a competitor of Sublessor without prior written approval from Sublessor. Sublessee understands and agrees that the Taxi-lanes and Taxiways must be kept clear at all times.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors

shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days' verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Construction. Sublessee understands that, on occasion, construction and/or maintenance work will be performed on the Premises. Should normal access routes be affected by said work Sublessee understands and agrees to move and/or stage the aircraft as necessary to enable safe use. Sublessor agrees to attempt to minimize any inconvenience of this nature.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and City and authorized to conduct insurance business in the State of California:

    a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), COMBINED SINGLE LIMIT LIABILITY, with a minimum of $100,000 per passenger, covering the subleased premises and all aircraft stored on the premises. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premises or operation of aircraft stored on the premises.

    b. Fire, Extended Coverage and Vandalism insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements (100% replacement cost) and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

    c. The Sublessor and/or City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the Sublessor's and City's interests and to reflect any changes in SUBLESSEE'S approved uses.

    Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and City a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor and City not less than thirty (30) days prior to the effective date of such cancellation or change. Sublessee shall be named as insured and the Sublessor and "THE CITY OF SAN DIEGO" shall be named

as an "additional insured" in the insurance policies described in Sections 12(a) and 12(b) above. Notices shall be addressed to City at: **City of San Diego Airports Division, Real Estate Assets 3750 John J. Montgomery Drive, San Diego, CA 92123 (fax 858-279-0536).**

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands that **Hangar # B** and its trade-fixtures will become the **property of the City at the expiration of the Master Lease** and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, **Sublessor shall have the right of first refusal to meet any bonafide offers of sale** on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said Hangar # B and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Mr. Vincent Renda 5212 Chelsea , La Jolla, CA 92037.** . Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Kevin O'Donnell Vincent Renda
Crownair Aviation

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Mr. Vincent Renda 5212 Chelsea , La Jolla, CA 92037.** . Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123.** Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

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Initials: _____ _____

Kevin O'Donnell, Crownair Aviation

Vincent Renda

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

25. Mortgage or Deed of Trust. Sublessee may place a mortgage or deed of trust on any improvements owned by Sublessee located on the premises and on Sublessee's leasehold interest in the premises, subject to (1) the terms of such mortgage or deed of trust being commercially reasonable, including providing for commercially reasonable rights of the lender to notice and opportunity to cure any default by Sublessee and foreclosure rights, and (2) the consent of the City, and (3) such mortgage or deed of trust shall not encumber Sublessor's leasehold interest or the City's interest in the Premises.

26. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

27. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

28. Time of Essence. Time is expressly declared to be of the essence of this sublease.

29. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **9th day of March, 2005**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Kevin O'Donnell – Chief Executive Officer

Sublessee:

_____
Vincent Renda

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "C") with the legal address of:

3753 John J. Montgomery Drive, Hangar # B
San Diego, CA 92123

EXHIBIT "B"

MASTER PLOT PLAN

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN

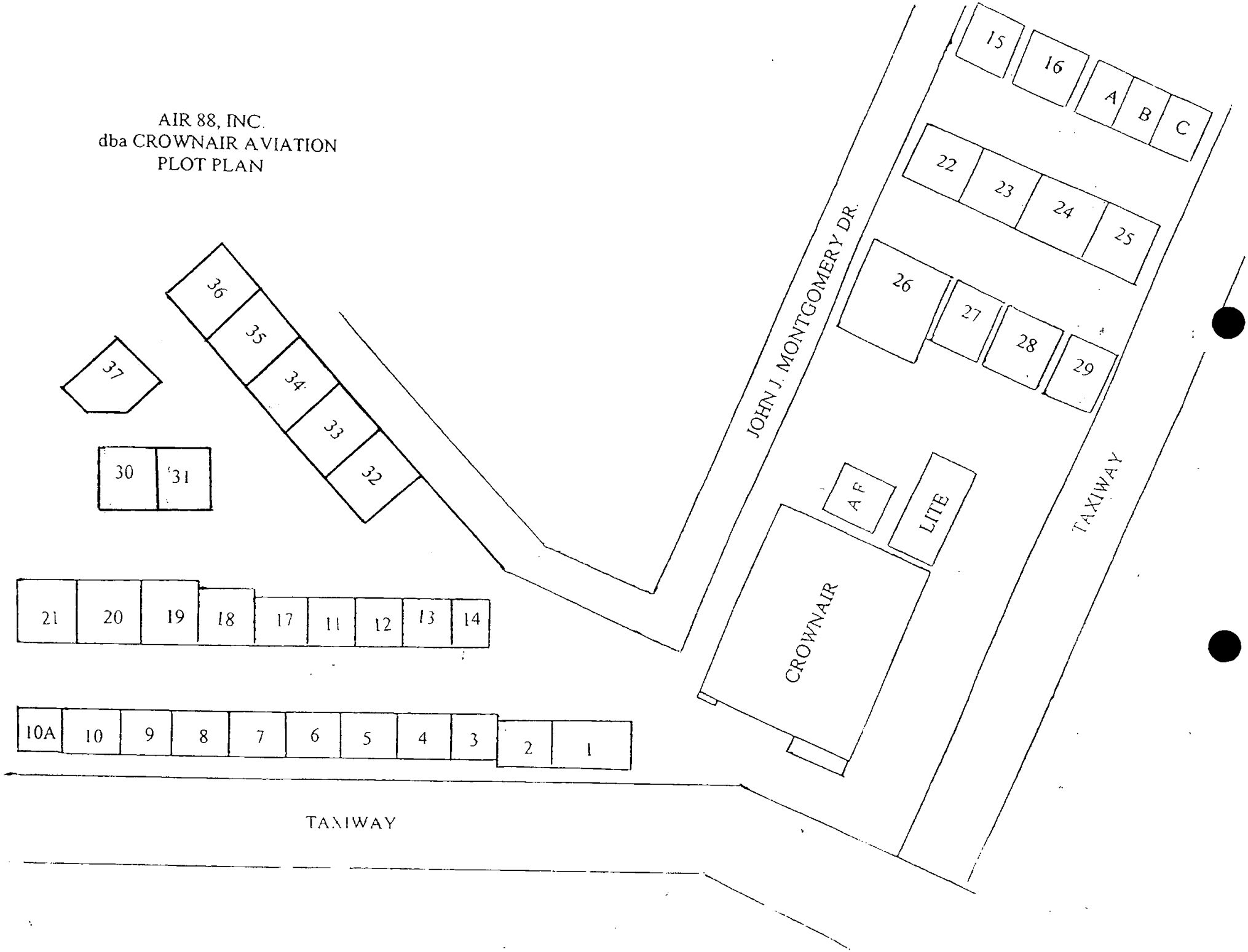


EXHIBIT "C"

MASTER LEASE

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Flat Creek Development,** herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, herein called "City", on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 10.1 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B. This Sublease relates specifically to the area shown as **Hangar "C"**.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased an aircraft hangar (Hangar "C") on the Premises. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease (as evidenced by a "Consent to Sublease Agreement").

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on the date of **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease, subject to approval by the City, will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

   (b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

   (c) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease.

3753 John J. Montgomery Drive • San Diego, California 92123
(858) 277-1453 • (888) CROWNAIR • FAX (858) 277-1937
www.crownairaviation.com

Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat rate of **Three Hundred and Ninety Nine Dollars ($399) per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") based on increases in the Consumer Price Index as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Riverside-Orange County Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the CPI increases mentioned above the rent is subject to fair market value increases mirroring any such adjustment applied by the City to the Master Lease.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide a trash bin for the disposal of a limited quantity of non hazardous waste; however, in the event of lease termination and attornment, the City shall not be required to provide a trash bin. In any event, the removal of excessive (as determined by Sublessor) and/or hazardous waste from Hangar "C" shall be the responsibility of Sublessee. Any utilities to be paid by sublessee shall have an agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All Real Property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessee. Should the governmental entity bill Sublessor then Sublessor will pay the bill on behalf of the Sublessee, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Hangar "C" on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees, filing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum legal rate.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage. Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft so as to be a competitor of Sublessor without prior written approval from Sublessor. Sublessee understands and agrees that the Taxi-lanes and Taxiways must be kept clear at all times.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors

shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days' verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Construction. Sublessee understands that, on occasion, construction and/or maintenance work will be performed on the Premises. Should normal access routes be affected by said work Sublessee understands and agrees to move and/or stage the aircraft as necessary to enable safe use. Sublessor agrees to attempt to minimize any inconvenience of this nature.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and City and authorized to conduct insurance business in the State of California:

    a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), COMBINED SINGLE LIMIT LIABILITY, with a minimum of $100,000 per passenger, covering the subleased premises and all aircraft stored on the premises. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premises or operation of aircraft stored on the premises.

    b. Fire, Extended Coverage and Vandalism insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements (100% replacement cost) and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

    c. The Sublessor and/or City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the Sublessor's and City's interests and to reflect any changes in SUBLESSEE'S approved uses.

    Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and City a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor and City not less than thirty (30) days prior to the effective date of such cancellation or change. Sublessee shall be named as insured and the Sublessor and "THE CITY OF SAN DIEGO" shall be named

as an "additional insured" in the insurance policies described in Sections 12(a) and 12(b) above. Notices shall be addressed to City at: **City of San Diego Airports Division, Real Estate Assets 3750 John J. Montgomery Drive, San Diego, CA 92123 (fax 858-279-0536).**

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands that **Hangar "C"** and its trade-fixtures will become the **property of the City at the expiration of the Master Lease** and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, **Sublessor shall have the right of first refusal to meet any bonafide offers of sale** on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said Hangar "C" and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Flat Creek Development P.O. Box 1052 Jackson, Wyoming, 83001.** Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123.** Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Kevin O'Donnell
Crownair Aviation

Glenn Napierskie
Flat Creek Development

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

25. Mortgage or Deed of Trust. Sublessee may place a mortgage or deed of trust on any improvements owned by Sublessee located on the premises and on Sublessee's leasehold interest in the premises, subject to (1) the terms of such mortgage or deed of trust being commercially reasonable, including providing for commercially reasonable rights of the lender to notice and opportunity to cure any default by Sublessee and foreclosure rights, and (2) the consent of the City, and (3) such mortgage or deed of trust shall not encumber Sublessor's leasehold interest or the City's interest in the Premises.

26. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

27. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

28. Time of Essence. Time is expressly declared to be of the essence of this sublease.

29. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **16th day of December, 2003**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Kevin O'Donnell – Chief Operating Officer

Sublessee:

_____
Glenn Napierskie - Flat Creek Development

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "C") with the legal address of:

3753 John J. Montgomery Drive, Hangar "C"
San Diego, CA 92123

EXHIBIT "B"

MASTER PLOT PLAN

AIR 88, INC
dba CROWNAIR AVIATION
PLOT PLAN

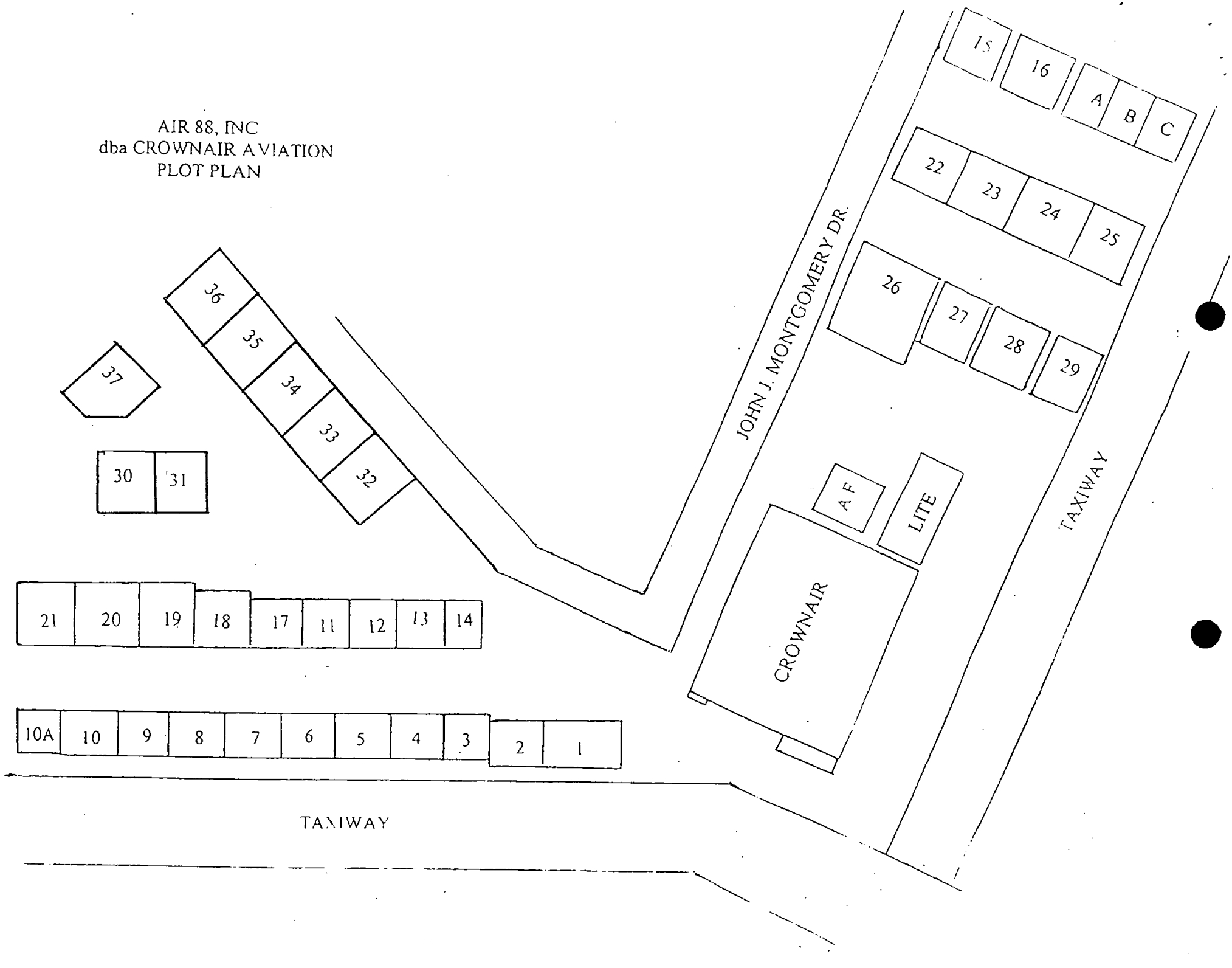


EXHIBIT "C"

MASTER LEASE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with COAST AIRCRAFT SALES & SALVAGE INC., a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18297, hereby consents to the certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and AIR 88 INC., dba CROWNAIR (SUBLESSEE), on February 17, 1998, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions: None.

THE CITY OF SAN DIEGO

Date: 3-9-98

By: Frank J. Williams
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 3-13-98

By:
Deputy City Attorney

DOCUMENT NO. 00-18298-14

FILED MAR 20 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: a:air&coast

Original

COAST AIRCRAFT SALES

8620 Gibbs Drive, San Diego, CA 92123-1794 Phone (619) 278-4154 Fax (619) 278-0786

Sublease

Coast Aircraft Sales Inc., a California Corporation, herein called "Sublessor", hereby subleases to Air 88, Inc., a California Corporation doing business as CROWNAIR, herein called "Sublessee", a 8,000 sq. ft. hangar, three tiedown spaces and a 1,000 sq. ft. of office space, herein called the"Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated June 01, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City". See Exhibit A

B. Sublessee has contracted the use of the Premises for the purpose of conducting aircraft maintenance.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term. This Sublease shall commence on March 1, 1998 and shall end on December 31, 1998, unless sooner terminated as provided herein. Sublease will automatically renew every January 01 unless a 90-day written Notice of Termination is given by either party.

3. Rent. Sublessee agrees to pay the Sublessor $3,350.00 monthly rent in advance, on the first calendar day of each month of the Lease Term. The rent amount includes use of electricity, which will continue to be paid by Sublessor.

4. Rent Adjustment. The rent provided for in Section 3 above shall be subject to adjustment at the end of the first three year period, and at the end of each one year period thereafter ("the adjustment date"). The Annual Base Rent adjustment shall not be greater than the percentage of rent increase given by the City on Sublessor's Master Lease.

5. Late Charges. If any installment of rent to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

6. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

7. Use of the Premises. Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of performing aircraft maintenance.

8. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

9. **Hold Harmless and Indemnity**. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

10. **Insurance**. Sublessee shall procure and maintain insurance coverage for Premises. The Sublessee shall make available to the Sublessor evidence of such insurance coverage if requested by the Sublessor.

11. **Applicability of Master Lease**. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

12. **Assumption**. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

13. **Obligations of Sublessor**. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

14. **Default**. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (d) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

15. **Non-Discrimination**. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

16. **Suspension of Term**. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

17. **Notices**. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

Notices and demands shall be addressed to:

Sublessee: 3753 John J. Montgomery Dr., San Diego, CA 92123.
Sublessor: 8620 Gibbs Drive, San Diego, CA 92123-1794

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

18. **Binding Arbitration of Disputes**. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____.
Frank Curry Giorgio Caglicro

19. **Attorney's Fees**. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

20. **Subleasing or Assigning as Breach**. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

21. **Binding on Heirs and Successors**. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

22. **Time of Essence**. Time is expressly declared to be of the essence of this sublease.

23. **Modification**. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 17th day of February, 1998.

Sublessor:

Coast Aircraft Sales, a California corporation

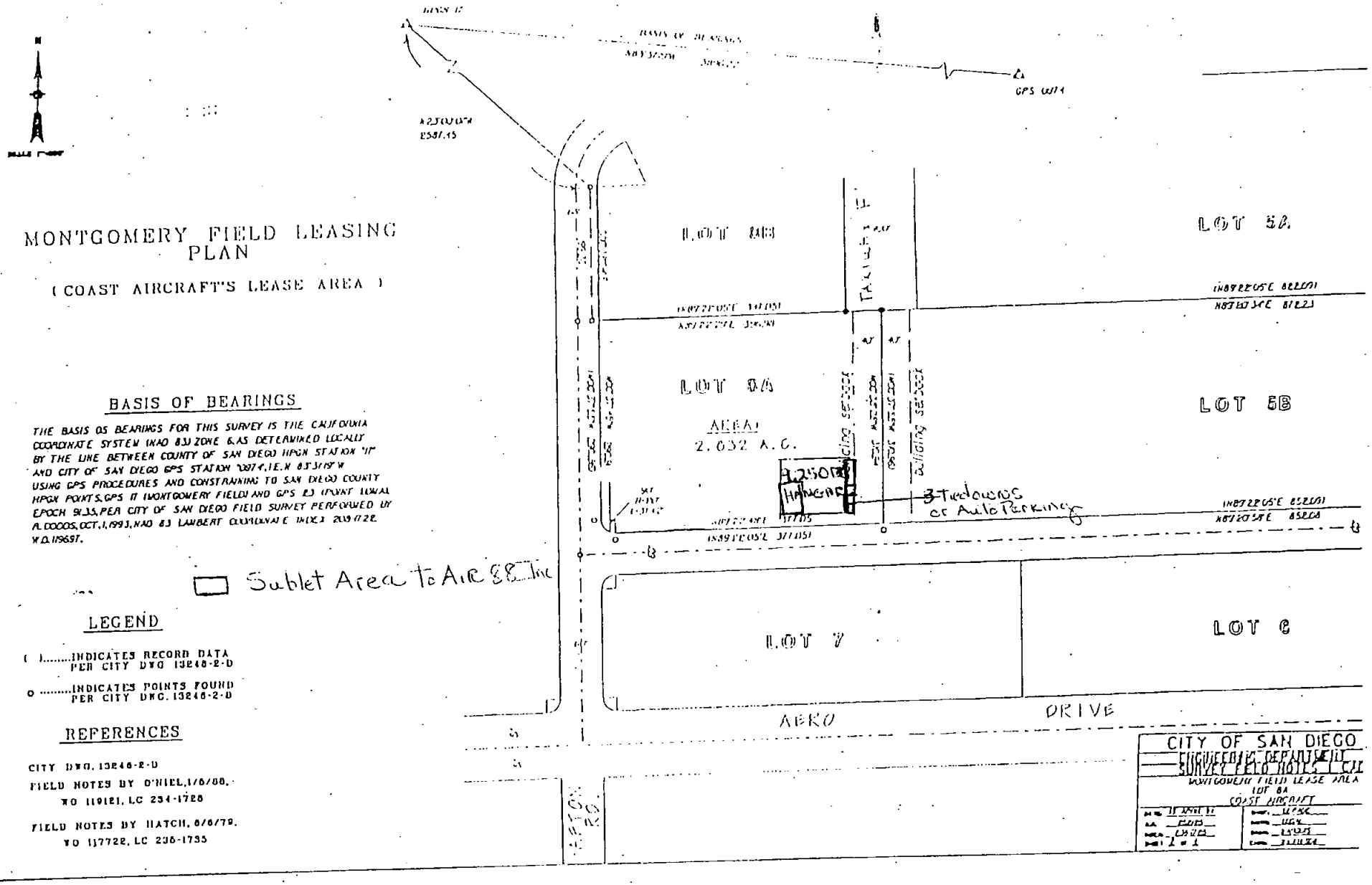
by: _____
Frank Curry, President

Sublessee:

Air 88, Inc. dba Crownair, a California corporation

by: _____
Giorgio Cagliero, President

11.2 Description of Leased Premises (Exhibit B)



/usr/431/gibbs.dgn May. 5, 1994 11:34:41

Lot 8A (2.83 Acres) and
Hangar (9,250 sq. ft.)

CONSENT TO SUBLEASE AGREEMENT ORIGINAL

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to that certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and SEAGULL SCHOOL OF AERONAUTICS INC., d.b.a. WINGS OVER CALIFORNIA, (SUBLESSEE), on August 20, 1997, for 750 sq. ft. office space, as shown on Exhibit B, attached hereto.

Said Consent to Sublease shall be subordinate to the Master Lease in all respects, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with, or is additional to, the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

The CITY is not obligated nor bound by Section 5, Rent Adjustment, and CITY may at its sole discretion increase the rent to market rent if it terminates the lease agreement or possession of the leased premises is granted to CITY or any other party or entity through legal proceedings.

THE CITY OF SAN DIEGO

Date: September 29, 1997

By: _____
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: October 3, 1997

By: _____
Deputy City Attorney

(a:seagull.sub)

DOCUMENT NO. 00-18298-11

FILED OCT 09 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Air 88, Inc. dba: CROWNAIR

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

Sublease

Air 88, Inc., dba: CROWNAIR, a California corporation, herein called "Sublessor", hereby subleases to SEAGULL SCHOOL OF AERONAUTICS INC., a California Corporation doing business as WINGS OVER CALIFORNIA, herein called "Sublessee", a 750 sq. ft. of office, herein called the"Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City". See Exhibit A

B. Sublessee has contracted the use of the Premises for the purpose of conducting Flight Training and Aircraft Charter operations.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on August 20, 1997 and shall end on May 31, 2016, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. Rent. Sublessee agrees to pay the Sublessor $9,000.00 annual rent in 12 equal installments, in advance, on the first calendar day of each month of the Lease Term and without deductions or offsets.

4. Other Payments. Sublessee agrees to pay the Sublessor a $750.00 security deposit, a $310.00 sublease filing fee, as required by the City of San Diego and prorated rent for the month of August 1997 in the amount of $275.00 on the effective date of the sublease.

5. Rent Adjustment. The rent provided for in Section 3 above shall be subject to adjustment at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date"). The Annual Base Rent adjustment shall not be greater than eight percent (8%).

6. Utilities and Taxes as Additional Rent. In addition to the rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:
   (a) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(b) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

7. **Late Charges**. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. **Interest on Late Payments**. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

9. **Use of the Premises**. Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of flight training and aircraft charter.

10. **Maintenance**. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

    Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. **Rules and Regulations**. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. **Hold Harmless and Indemnity**. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. **Insurance**. Sublessee shall procure and maintain insurance coverage for aircraft operated and parked in the premises by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. **Applicability of Master Lease**. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. **Assumption**. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. **Obligations of Sublessor**. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. **Default**. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. **Non-Discrimination**. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. **Suspension of Term**. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. **Notices**. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

    Notices and demands shall be addressed to:
    Sublessee: 3753 John J. Montgomery Dr., San Diego, CA 92123.
    Sublessor: 3753 John J. Montgomery Dr., San Diego, CA 92123.

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. **Binding Arbitration of Disputes**. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: GC, C-T-, _____

Giorgio Cagliero Cyrille Terrier The City of San Diego

22. **Attorney's Fees**. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. **Subleasing or Assigning as Breach**. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. **Binding on Heirs and Successors**. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. **Time of Essence**. Time is expressly declared to be of the essence of this sublease.

26. **Modification**. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 20th day of August, 1997.

Sublessor:

Air 88, Inc. dba Crownair, a California corporation

by: _____

Giorgio Cagliero, President

Sublessee:

Seagull School of Aeronautics, Inc. dba: Wings over California,
a California Corporation

by: _____

Cyrille Terrier, President

City (of San Diego):

_____

Printed Name Title

_____

Signature

_____

Address

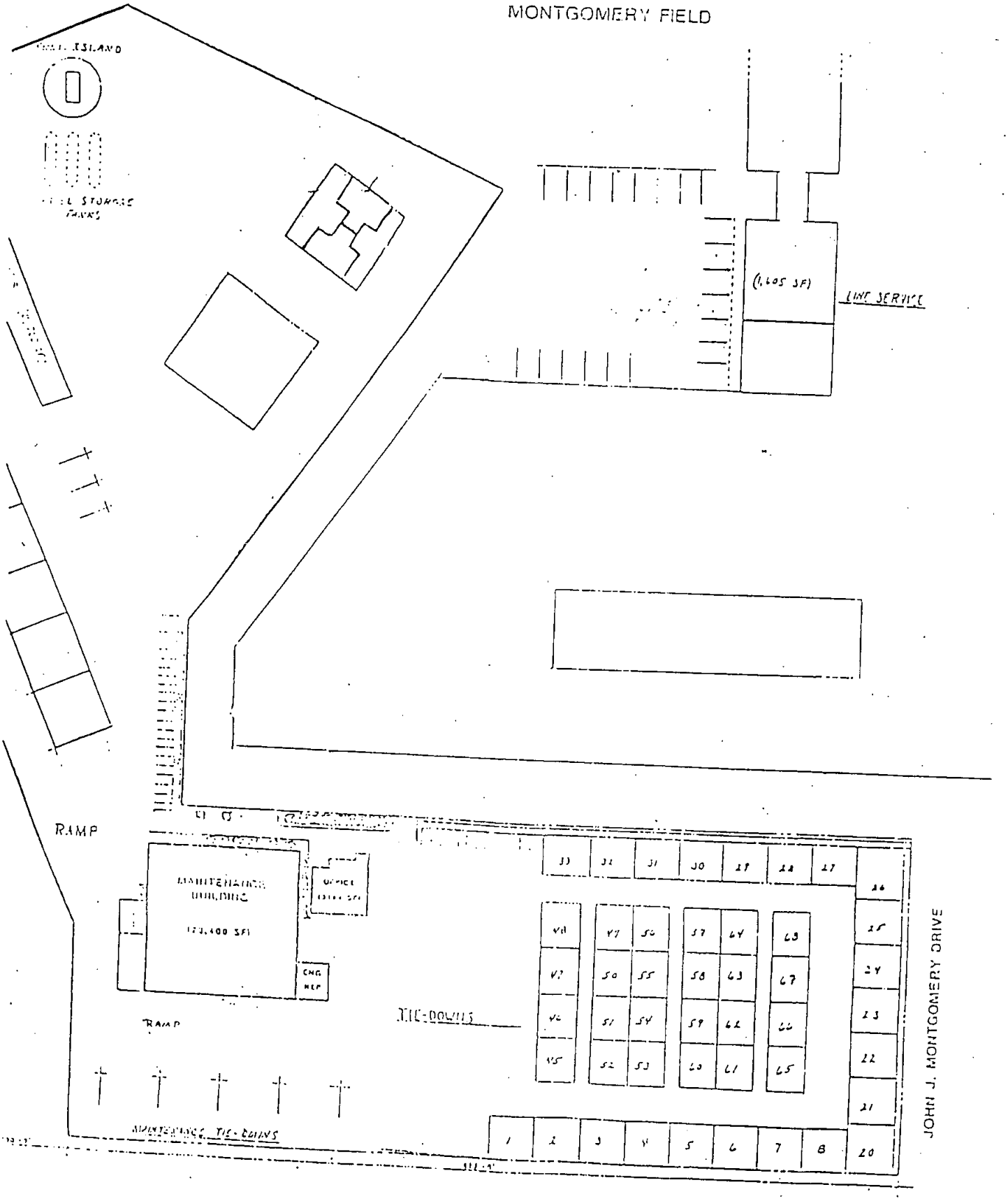
_____

City State Zip

_____

Telephone Number (include area code)

EXHIBIT B


MONTGOMERY FIELD
(1,605 SF)
LINE SERVICE
RAMP
MAINTENANCE BUILDING
(23,400 SF)
OFFICE
CNG
RAMP
TIE-DOWNS
MAINTENANCE TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

CONSENT TO SUBLEASE AGREEMENT

COPY

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, doing business as Crownair (LESSEE) and filed in the office of the City Clerk as Document 018298, hereby consents to that certain Sublease Agreement between the LESSEE and Shier Aviation Corporation, a California Corporation, doing business as Corporate Helicopters of San Diego (SUBLESSEE), commencing June 1, 1996, attached hereto.

The CITY is merely approving the Sublease Agreement, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions of the Master Lease, except as otherwise approved herein.

In addition, this Consent is subject to the following conditions:

The attached Sublease shall supersede the prior Sublease Agreement executed between LESSEE and SUBLESSEE, dated June 1, 1995, filed with Consent to Sublease Agreement in the office of the City Clerk as Document C-06372, and said Document (C-06372) shall be hereafter void and of no effect, except as to any rents and fees which may be due or any rights and remedies granted to CITY under such documents.

APPROVALS:

THE CITY OF SAN DIEGO
CITY MANAGER

Dated: 12/26/96

By: _____
Michael C. Tussey,
Acting Airports Deputy Director

APPROVED AS TO FORM:
JOHN W. WITT, CITY ATTORNEY

Dated: 12/20/96

By: _____
Hal Valderhaug,
Head Deputy Attorney

File: a:\cs.shi

DOCUMENT NO. 00-18298-4
FILED DEC 30 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Air 88, Inc. dba: CROWNAIR

3753 John J. Montgomery Drive, San Diego, CA 92123

Phone (619) 277-1453 Fax (619) 277-7591

Sublease

Air 88, Inc., dba: CROWNAIR, a California corporation, herein called "Sublessor", hereby subleases to Shier Aviation Corporation, a California Corporation doing business as CORPORATE HELICOPTERS of San Diego, herein called "Sublessee", hangars N-1 and N-4 with a combined area of 3,640 sq. ft. and 750 sq. ft. of office space, herein called the"Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City". See Exhibit A

B. Sublessee has contracted the use of the Premises for the purpose of conducting Flight Training and Aircraft Charter operations.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on June 1, 1996 and shall end on May 31, 2016, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. Rent. Sublessee agrees to pay the Sublessor $21,000.00 annual rent in 12 equal installments, in advance, on the first calendar day of each month of the Lease Term and without deductions or offsets.

4. Security Deposit. Not Applicable.

5. Rent Adjustment. The rent provided for in Section 3 above shall be subject to adjustment at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date"). The Annual Base Rent adjustment shall not be greater than eight percent (8%).

6. Utilities and Taxes as Additional Rent. In addition to the rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

   (a) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(b) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

7. **Late Charges**. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. **Interest on Late Payments**. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

9. **Use of the Premises**. Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of flight training and aircraft charter.

10. **Maintenance**. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

    Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. **Rules and Regulations**. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. **Hold Harmless and Indemnity**. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. **Insurance**. Sublessee shall procure and maintain insurance coverage for aircraft operated and parked in the premises by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. **Applicability of Master Lease**. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. **Assumption**. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. **Obligations of Sublessor**. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. **Default**. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. **Non-Discrimination**. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. **Suspension of Term**. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. **Notices**. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

    Notices and demands shall be addressed to:
    Sublessee: 2904 Pacific Highway., San Diego, CA 92101.
    Sublessor: 3753 John J. Montgomery Dr., San Diego, CA 92123.

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. **Binding Arbitration of Disputes**. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____, _____

Giorgio Cagliero Ivor Shier The City of San Diego

22. **Attorney's Fees**. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. **Subleasing or Assigning as Breach**. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. **Binding on Heirs and Successors**. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. **Time of Essence**. Time is expressly declared to be of the essence of this sublease.

26. **Modification**. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1st day of June, 1996.

Sublessor:

Air 88, Inc. dba Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

Shier Aviation Corp., dba: Corporate Helicopters of San Diego,
a California Corporation

by: _____
Ivor Shier, President

CORPORATE HELICOPTERS of San Diego
2904 Pacific Hwy.
San Diego, CA 92101
Phone: (619) 291-4356
Fax: (619) 291-2143

City (of San Diego):

_____
Printed Name Title

_____
Signature

_____
Address

_____
City State Zip

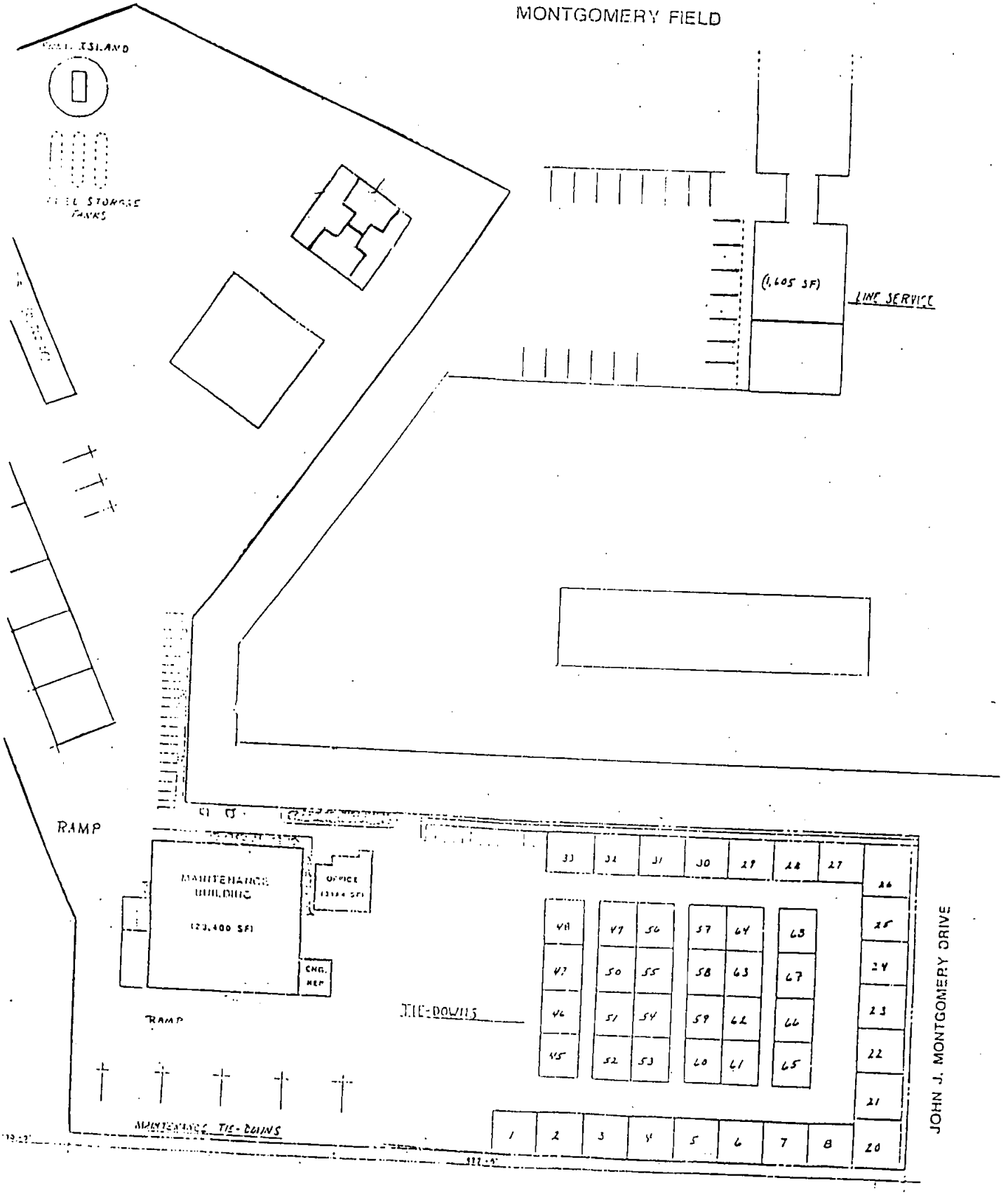
_____
Telephone Number (include area code)

EXHIBIT A

MASTER LEASE

Filed in the Office of the City Clerk of San Diego, California as Document No. OO12298 on May 6, 1996

EXHIBIT B


MONTGOMERY FIELD
FUEL ISLAND
FUEL STORAGE TANKS
(1,605 SF)
LINE SERVICE
RAMP
MAINTENANCE BUILDING
(23,400 SF)
OFFICE
CNG. REF
RAMP
TIE-DOWNS
MAINTENANCE TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. D.b.a. Crownair, a California corporation (LESSEE), and filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement between the above LESSEE (SUBLESSOR) and LAWSON M. BROWN d.b.a. AVIATION UNLIMITED (SUBLESSEE), commencing on September 1, 1996, attached hereto.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with, or is in addition to, the provisions of the Master Lease, except as otherwise stated below:

CITY is not obligated to approve an extension to the term of the Sublease; however, its approval shall not be unreasonably withheld.

CITY OF SAN DIEGO
CITY MANAGER

Dated: 9-26-96

By: _____
Michael C. Tussey,
Acting Airports Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated: 9/30/96

By: _____
Head Deputy City Attorney

File: consavltd.

DOCUMENT NO. OO 18298-3
FILED OCT 04 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RECEIVED
CITY CLERK'S OFFICE
96 OCT -3 PM 3:06
SAN DIEGO, CALIF.

Air 88, Inc. dba: CROWNAIR
3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

Sublease

Air 88, Inc., dba: CROWNAIR, a California corporation, herein called "Sublessor", hereby subleases to Lawson M. Brown doing business as: AVIATION UNLIMITED, a sole propietorship, herein called "Sublessee", office space with a 840 sq. ft. area, herein called the"Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City". See Exhibit A

B. Sublessee has contracted the use of the Premises for the purpose of selling aircraft.

NOW, THEREFORE, the parties agree as follows:

1. **Leasing and Description of Property**. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. **Term**.

   (a) This Sublease shall commence on Sept. 1, 1996 and shall end on May 31, 2016, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. **Rent**. Sublessee agrees to pay the Sublessor $15,000.00 annual rent in 12 equal installments, in advance, on the first calendar day of each month of the Lease Term and without deductions or offsets.

4. **Security Deposit**..

4.01 Payment of Deposit. On the Effective Date, sublessee shall pay sublessor the amount of $1,250.00 as security for the faithful performance of sublessee's covenants, duties and obligations hereunder.

4.02 Resort for Rent. If Sublessee fails to pay any sums required under this Agreement, sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to remedy any such failure, including any costs and expenses which Sublessor incurs or becomes obligated to incur in the prosecution of such remedy.

4.03 Resort for Repairs. If at any time Sublessor discovers any damage to the Premises resulting directly or indirectly, entirely or in party from any active or passive act or omission of Sublessee or any of its officers, directors, agents, invitees or employees, Sublessor shall deliver to Sublessee a notice to repair such damage. Upon Sublessee's failure to repair such damage to Sublessor's satisfaction within 30 days after such notice to repair, Sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to fund the repair.

4.04 Resort for Cleaning. If upon termination of this Agreement Sublessor determines, in its sole and absolute discretion, that the Premises are not in the same condition of cleanliness as existed on the Commencement Date, Sublessor may apply any portion of the Security Deposit as it determines necessary to put the Premises in such condition.

4.05 Restoration. If any resort by Sublessor to the Security Deposit for costs incurred to remedy any breach by Sublessee hereunder, including any costs and expenses of prosecuting such remedy. Sublessor shall notify Sublessee of the amount necessary to restore the Security Deposit to the Initial Security Deposit required herein. Such notice shall include copies or receipts, statements or other proof of the amount expended from the Security Deposit. Within 30 days after the date of such notice, Sublessee shall pay Sublessor the amount specified in the notice

4.06 Custody. No trust relationship is created herein between Sublessor and Sublessee with respect to the Security Deposit. The Security Deposit shall not bear interest and it should not be held in a separate account.

4.07 Transfer. If Sublessor assigns, conveys or otherwise transfers its interest under this Agreement, Sublessor shall either:

(a) transfer the balance of the Security Deposit after any lawful deductions, to its succesor in interest, and promptly notify Sublessee of: (1) such transfer; and (2) the name and address of the transferee, who shall have all of the same rights and obligations with respect to the Security Deposit as Sublessor had; or

(b) return such balance to Sublessee.

After doing either (a) or (b), Sublessor shall be relieved of any further liability with respect to the Security Deposit.

4.08 Return. Within 30 days after termination of this Agreement, Sublessor shall return the balance of the Security Deposit to Sublessee after any lawful deductions.

5. **Rent Adjustment**. The rent provided for in Section 3 above may be adjusted at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date"). The Annual Base Rent adjustment shall not be greater than eight percent (8%).

6. **Utilities and Taxes as Additional Rent**. In addition to the rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(b) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

7. **Late Charges**. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. **Interest on Late Payments**. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

9. **Use of the Premises**. Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of aircraft sales.

10. **Maintenance**. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. **Rules and Regulations**. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. **Hold Harmless and Indemnity**. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. **Insurance**. Sublessee shall procure and maintain insurance coverage for aircraft operated and parked in the premises by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. **Applicability of Master Lease**. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. **Assumption**. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. **Obligations of Sublessor**. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. **Default**. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. **Non-Discrimination**. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. **Suspension of Term**. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. **Notices**. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

Notices and demands shall be addressed to:

Sublessee: 3753 John J. Montgomery Dr., San Diego, CA 92123.

Sublessor: 3753 John J. Montgomery Dr., San Diego, CA 92123.

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. **Binding Arbitration of Disputes**. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____, _____.
Giorgio Cagliero Lawson M. Brown The City of San Diego

22. **Attorney's Fees**. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. **Subleasing or Assigning as Breach**. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. **Binding on Heirs and Successors**. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. **Time of Essence**. Time is expressly declared to be of the essence of this sublease.

26. **Modification**. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1st day of June, 1996.

Sublessor:

Air 88, Inc. dba Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

AVIATION UNLIMITED

by: _____
Lawson M. Brown, Owner

AVIATION UNLIMITED
3753 John J. Montgomery Dr.
San Diego, CA 92123
(619) 268-1771

City (of San Diego):

_____
Printed Name Title

_____
Signature

_____
Address

_____
City State Zip

_____
Telephone Number (include area code)

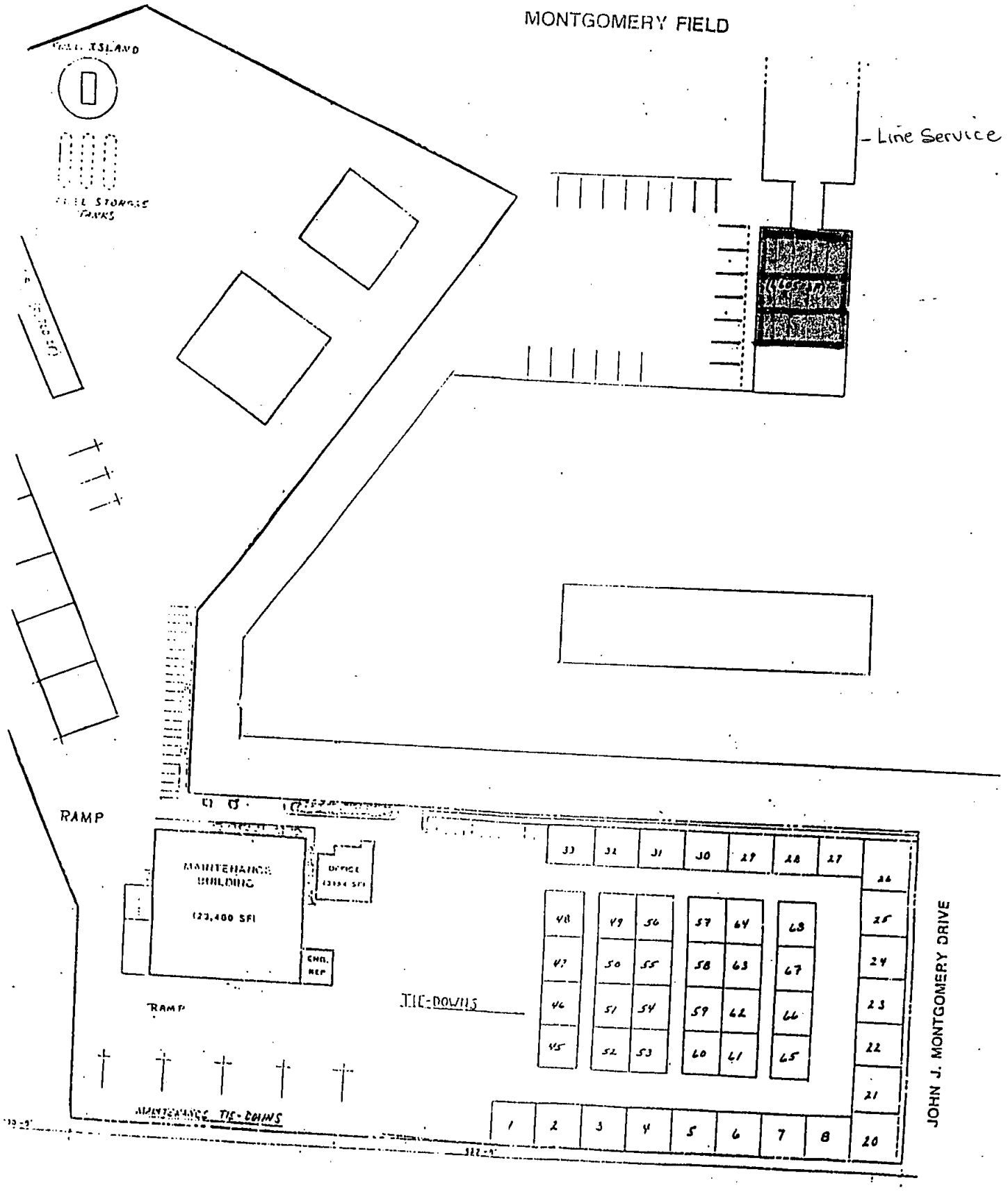
EXHIBIT A

MASTER LEASE

Filed in the Office of the City Clerk of San Diego,

California as Document No. 0018298 on May 6, 1996

EXHIBIT B


MONTGOMERY FIELD
Line Service
RAMP
MAINTENANCE BUILDING
(23,400 SF)
OFFICE
ENGR. REP
RAMP
TIE-DOWNS
MAINTENANCE TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair, a California corporation (LESSEE) and filed in the Office of the City Clerk as Document RR-272626, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Crownair Charter, Inc., (SUBLESSEE) dated April 1, 1995, attached hereto. Said Sublease shall subordinate to the Master Lease in all respects.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

In addition, this Consent is subject to the following conditions:

(1) (Section 3. Office Rent) In the event the lease expires, is terminated, or it is assigned to another LESSEE for any reason, SUBLESSEE shall be required to commence paying market rent for the premises, with 30 days prior written notice from either SUBLESSOR or CITY.

(2) (Section 4. Additional Rent) At such time as a new flat-rate lease is executed on the leasehold or the existing lease is amended from a percentage to a flat-rate rent basis, then SUBLESSEE shall commence paying the CITY landing fees on every commercial operation instead of percentage rents.

CITY OF SAN DIEGO

Dated 3/14/96

BY Carole Herrin
Airport Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 3/19/96

By
Chief Deputy City Attorney

DOCUMENT NO. RR-272626-4

FILED MAR 25 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

DOCUMENT NO.

FILED
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: crowncharter.sub

Air 88, Inc. dba Crownair

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-17591

Sublease

Air 88, Inc., dba Crownair, a California corporation, herein called "Sublessor", hereby subleases to Crownair Charter, Inc., herein called "Sublessee", office space approximately measuring fifteen feet by twelve feet (15' x 12'), permitted and certified by the City of San Diego, on land herein called "the Premises". The Premises are shown on the plot map attached hereto as Exhibit A.

Recitals

A. Sublessor is the lessee under that certain lease dated January 26, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City").

Definitions

A. Aircraft: A fixed wing, rotary wing or lighter than air machine or device, capable of atmospheric flight.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on April 1, 1995 and shall end on November 31, 2013, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. Office Rent. Sublessee agrees to pay a flat-rate of $ One Dollar ($1) per year. Office rent will begin and be payable on the first (1st) day of the month commencing after the final acceptance of this sublease by both City and Sublessor. When new master leases are implemented that include lease term extensions the percent increase or decrease in lease office rent shall increase or decrease the office rent in this sublease

proportionally. Office rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Additional Rent. In addition to the Office Rent, Sublessee shall pay as additional rent one and one half percent (1.5%) of Sublessee's gross revenues at such times and on such terms and conditions as may be set forth in the Master Lease.

5. Office Rent Adjustment. The office rent provided for in Section 3 above shall not be subject to adjustment.

6. Utilities and Taxes as Additional Rent. In addition to the office rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

   (a) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

   (b) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

7. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

9. Use of the premises. Unless prior approval has been obtained Sublessee or its tenants shall limit use of the Premises to aviation-related business.

10. Maintenance. Sublessor shall maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure. Sublessor shall be the sole judge of the quality of maintenance. Sublessor shall perform the necessary maintenance, the cost of which shall be borne by the Sublessor.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. Insurance. The insurance maintained by the Sublessor includes coverage of the premises occupied by the Sublessee. This insurance coverage is issued by an insurance company authorized to conduct insurance business in the Sate of California.

Sublessee shall procure and maintain insurance coverage for aircraft operated by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(d) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 3753 John J. Montgomery Drive, San Diego; CA 92123. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: GC, C2, _____.
Giorgio Cagliero Candace Covington The City of San Diego

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1st day of April, 1995.

Sublessor:

Air 88, Inc. dba Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

Crownair Charter, Inc. a California corporation

by: _____
Candace Covington, President

Crownair Charter, Inc.
3753 John J. Montgomery Drive
San Diego, CA 92123
(619) 277-1453

City (of San Diego):

_____
Printed Name Title

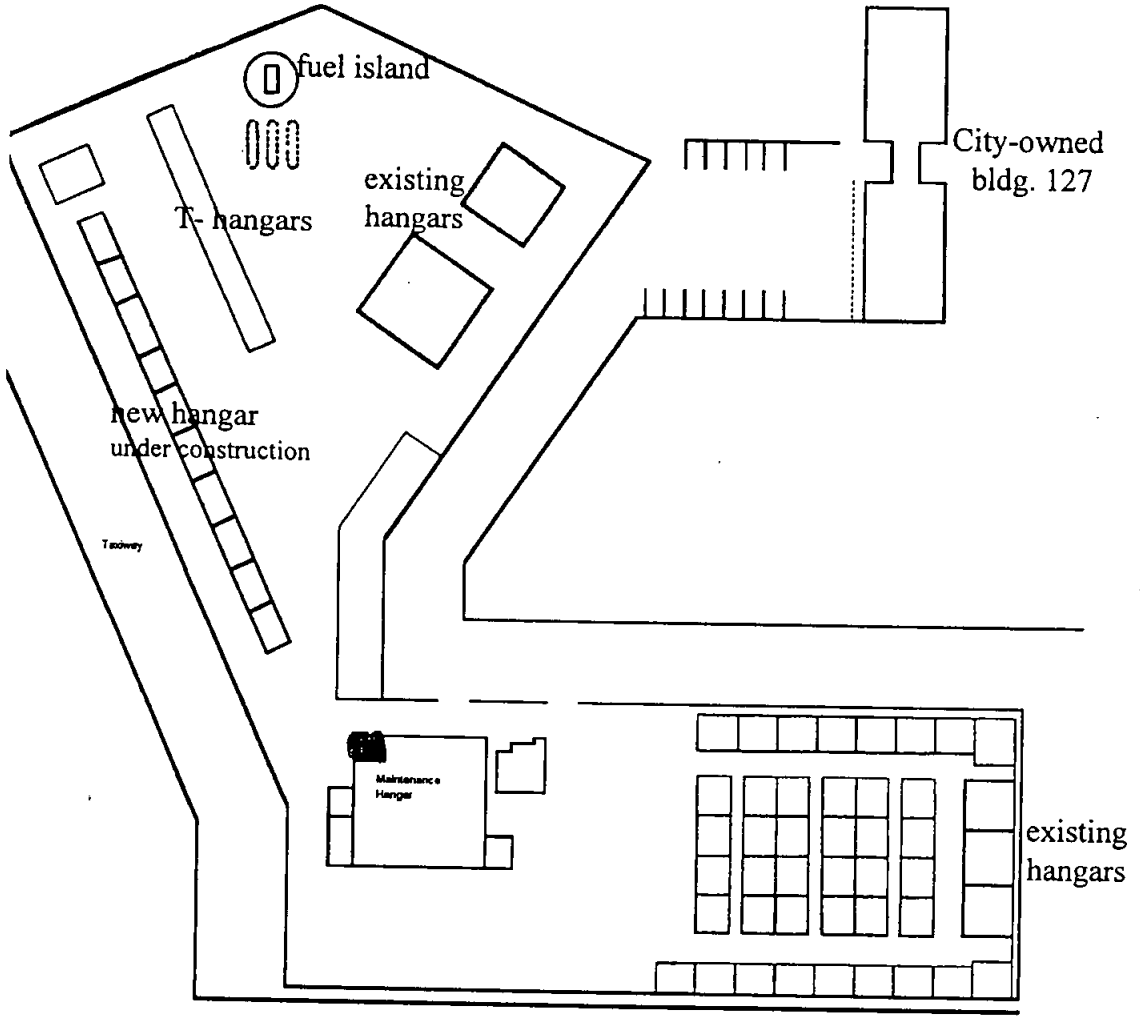
_____
Signature

_____
Address

_____
City State Zip

_____
Telephone Number (include area code)

Exhibit A


fuel island
T- hangars
existing hangars
City-owned bldg. 127
new hangar under construction
Taxiway
Maintenance Hangar
existing hangars

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, doing business as Crownair (LESSEE) and filed in the Office of the City Clerk as Document RR-272626 hereby consents to that certain Sublease Agreement between the LESSEE (SUBLESSOR) and Shier Aviation Corporation, a California corporation doing business as Corporate Helicopters of San Diego (SUBLESSEE), dated June 1, 1995, attached hereto. Said Sublease shall suborinate to the Master Lease in all respects.

The CITY is merely approving the Sublease, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

In addition, this Consent is subject to the following conditions:

(1) Sublessee was conducting business on the premises prior to June 1, 1995. Consequently, Sublessee shall pay percentage rents on all income earned from use of the premises from the date of its commencement of activities on the premises in accordance with the lease agreement, and any deficit percentage rents due as of June 1, 1995 shall be paid no later than August 30, 1995.

(2) As a clarification to 7.01 Use in the sublease, the City herein approves the following uses: pilot training, storage and maintenance "of aircraft".

THE CITY OF SAN DIEGO

Dated: 6/22/95

By: _____
Airports Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 6/23/95

By: _____
Chief Deputy City Attorney

DOCUMENT NO C- 06372

FILED AUG 10 1995
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: sbl.shier

6-1-96 VOID Replaced with New Sublease 00-18298-4

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Agreement) is entered into by and between AIR 88, INC. , a California Corporation doing business as CROWNAIR ("Crownair") and Tenant as of Effective Date.

TERMS SCHEDULE

A:	Effective Date:	June 1, 1995
B:	Name and Identity of Tenant:	Shier Aviation Corporation, a California corporation doing business as CORPORATE HELICOPTERS of San Diego.
C:	Description of leased premises:	1,820 sq. ft. Hangar N-1, located north of the main hangar
D:	Annual Rent:	$600.00 per month, $7,200.00 annually
E:	Security Deposit:	Not Applicable
F:	Commencement Date:	June 1, 1995
G:	Initial Term:	12 months.
H:	Extension Term:	60 months.
I:	Ending Date:	May 31, 1996.
J:	Addresses for Notices:	
	If to Crownair:	Giorgio Cagliero, President 3753 John J Montgomery Dr San Diego CA 92123-1795 Phone: 619/277-1453 Fax #: 619/277-7591
	if to Tenant:	Deann Shier, President CORPORATE HELICOPTERS 2904 Pacific Highway San Diego CA 92101 Phone: 619/291-4356 Fax #: 619/291-2143

1. RECITALS

1.01 Tenant desires to sublease from Crownair and Crownair desires to sublease to Tenant a hangar for the purpose of conducting business as a flight training center

1.02 Crownair is the lessee of the premises under that certain lease dated January 26, 1989 (the "Master Lease") by and between Crownair and the City of San Diego (the "City"). Tenant acknowledges that the city's consent is required prior to execution and delivery of this Agreement. Tenant intends to cooperate and submit to the City any documents which the City may require prior to the Effective Date.

1.03 By this Agreement and pursuant to the terms of the Master Lease, Crownair intends to sublease the premises to Tenant and Tenant intends to sublease the premises described above and despicted on the diagram and plot plan attached hereto as Exhibit B.

1.04 Nothing in this agreement shall be construed as creating a joint venture or partnership between the Parties.

2. DEFINITIONS

Words and phrases having initials letters capitalized herein shall have the meaning set forth in Exhibit A hereto, unless otherwise required by the context in which they appear

3. SUBLEASE TERMS

3.01 Sublease. Crownair hereby subleases to Tenant and Tenant hereby subleases from Crownair the Premises, for the term, at the rental and upon all of the conditions set forth herein.

3.02 Utilities. Crownair shall only be responsible for electricity charges used for the Premises, as required under the Master Lease.

3.03 Improvements. Tenant shall be responsible for all costs and expenses of tenant improvement or remodeling necessary or required for Tenant's use of the premises. Tenant shall not remodel, reconstruct or otherwise alter the Premises without the prior written consent of Crownair and the City.

3.03.1 Tenant shall submit plans and specifications for the proposed work to Crownair and the City prior to commencement of any work.

3.03.2 If work is approved, Crownair may post and record on behalf of itself and the City notices of nonresponsibility as Crownair may determine necessary.

3.03.3 All completed work shall become part of the Premises and as such shall become the property of either Crownair or the City under the Master Lease.

3.04 Condition and Maintenance. Crownair shall maintain the structural part of the building of which the Premises are a part. Tenant shall otherwise maintain the entire premises. Tenant hereby accepts the Premises "As is".

4. TERMS AND OPTION TO EXTEND

4.01 Term. The initial Term of this Agreement shall be for the period of 12 months, commencing on the Commencement Date and ending at midnight of the Ending Date. Such occupancy shall be subject to all provisions hereof, including without limitation the payment of Rent in accordance with Section Five of this Agreement.

4.02 Option to Extend. Tenants may extend the initial Term for a period of five years, commencing on the first anniversary of the Commencement Date.

4.02.1 Tenant shall deliver to Crownair a notice of intent to exercise its option to extend at least 180 days prior to the Termination Date

4.02.2 If Tenant is in default at any time, Crownair may terminate Tenant's option and right to extend the initial Term.

5. RENT

5.01 Base Rent. Tenant shall pay Crownair Annual Rent as follows:

(a) in 12 equal installments;
(b) in advance on the first calendar day of each month of Lease Term; and
(c) without deductions or offsets.

5.01.1 On the Effective Date, Tenant shall pay Crownair the first month's installment of Rent

5.01.2 Rent shall be payable only in lawful money of the United States at the address stated herein or to such other persons or at such other places as Crownair may designate.

5.02 Additional Rent. In addition to the Annual Base Rent, Tenant shall pay as Additional Rent two and one half percent (2.5%) of Tenant's Gross Revenues derived from Tenant's business activities based solely on the premises. The parties acknowledge that Tenant has business activities located elsewhere. Gross Revenues are further described in the Master Lease.

5.02.1 Statement of Revenues. Within 20 days following the end of any month during the term of this Sublease, Tenant shall furnish to Crownair a statement of Gross Revenues for the preceding calendar month.

The amount of Gross Revenues shall be computed in accordance with generally accepted accounting principles, consistently applied. Each statement shall be signed and certified to be correct under penalty of perjury by an officer of Tenant.

5.02.2 Right to Inspect. Tenant shall keep full and accurate books of account, flight training records, and such other pertinent data as may be reasonably requested by Crownair from time to time showing Gross Revenues. Such books and records shall be kept for a period of five (5) years after the Termination Date. Such books and records shall be maintained separate from all other accounts not relating to the leased premises. Crownair, at its discretion, shall have the right to inspect and audit the records of Tenant relating to the Gross Revenues to determine the amount of rent due Crownair.

5.02.3 Audit Cost. The full cost of Crownair audit will be borne by Crownair unless one or both of the following conditions exists, in which case Tenant hereby agrees to pay for the cost of the audit.

(a) The audit reveals an underpayment for any audit period of more than five percent (5%), or more than $10,000 whichever is less between the rent due as reported and paid by Tenant pursuant to this Sublease and rent due as determined by the audit; or

(b) Tenant has failed to maintain complete and true books, records, accounts and supporting source documents in strict accordance with this section.

5.02.4 Material Breach. The breach of any of Tenant's covenants, warranties or obligations under subsections 5.02.1 and 5.02.2

5.03 Rent Adjustments. If Tenant elects to extend the Lease Term under this Agreement. the Annual Base Rent may be adjusted during each such year of the Lease Term, as extended, commencing on the first anniversary of the Commencement Date.

5.03.1 The Annual Base Rent adjustment shall not be greater than four percent (4%).

5.04 Proration. Rent for any period during the term hereof which is for less than one month shall be a pro rata portion calculated on a daily basis of the then effective Annual Base Rent.

6. SECURITY DEPOSIT Not Applicable

7. USE

7.01 Use. The Premises shall be used and occupied only for Tenant's pilot training, storage and maintenance or as otherwise permitted under the Sublease, subject to applicable law and the terms and conditions of the Master Lease.

7.02 Condition of the Premises. Tenant hereby accepts the Premises in the condition existing at the Effective Date, subject to all applicable laws and regulations. Tenant accepts this Agreement and acknowledges that neither Crownair nor its agents have made any representations or warranties as to the suitability of the Premises for the conduct of Tenant's business

7.03 No Sublease or Assignment. Tenant shall neither assign this Agreement or any interest therein nor sublet the leased Premises or any part thereof without Crownair's prior consent. Any attempted assignment or subletting without such consent shall be void, unenforceable and a material breach of this Agreement.

8. THIS AGREEMENT SUBJECT TO MASTER LEASE

8.01 Master Lease. Crownair is the lessee of the Premises by virtue of the Master Lease. This Agreement is and shall be at all times subject, junior and subordinate to the Master Lease.

8.02 Terms and Conditions. The terms, conditions and obligations of Tenant to Crownair under this Agreement shall include all terms and conditions of the Master Lease applicable to the Premises. All duties and obligations owed by Crownair to the City or other holder of the landlord's interest under the Master Lease (the "Landlord") shall also be owed by Tenant to Crownair under this Agreement.

8.03 Compliance with Master Lease. Tenant shall comply with each and every obligation under the Master Lease applicable to the premises for the benefit of Crownair and the Landlord

9. TENANT'S INDEMNITY OBLIGATIONS

9.01 Indemnification. Tenant shall protect, defend, indemnify and hold Crownair and each of Crownair's agents or employees (each of which is generically referred to as an "Indemnitee") harmless from any liabilities, claims, and expenses of any nature. All obligations set forth in this Article 8 shall survive the Termination Date.

9.02 Notification. An indemnitee shall notify Tenant within 30 days after discovery of any claim to which this section applies. Tenant at Tenant's sole cost and expense shall defend such Indemnitee against any such claim and shall engage counsel satisfactory to such Indemnitee to prosecute such Indemnitee's defense. Tenant may settle any such claim upon commercially reasonable terms and conditions with the prior consent of Crownair, which consent shall not be unreasonably withheld.

9.03 Failure to Defend. If Tenant fails or refuses to defend an Indemnitee or engage counsel satisfactory to such Indemnitee within 10 days after such Indemnitee's notice of any claim to which this section applies, such Indemnitee may:

(a) defend such claim and add the cost thereof to any amount due from Tenant;

(b) settle such claims on such terms and conditions as Indemnitee may determine; and

(c) notwithstanding any limitation of remedies provided in this Agreement, seek and recover any actual or consequential damages incurred by Indemnitee, including without limitation any amount paid by Indemnitee to settle or compromise such claim and Indemnitee's cost of defense.

10. DEFAULT AND REMEDIES

10.01 Material Breach. A material breach under this Agreement shall occur upon:

(a) the failure to pay when due any installment of Rent under this Agreement;

(b) the sufferance by Tenant of an Event of Insolvency;

(c) the sale, assignment, alienation, conveyance, transfer or encumbrance of more than 10 percent, in the aggregate, of the outstanding voting shares of such corporation without prior notification to Crownair; or the dissolution of such corporation;

(d) the encumbrancing or placement of any lien on the Premises or any interest therein without Crownair's prior consent;

(e) the breach of any covenant, warranty or other obligation by any guarantor under any guarantee of the indebtedness under this Agreement;

(f) the misrepresentation or omission of a material fact to Crownair or the City by Tenant, either orally or in any document submitted by or in behalf of Tenant to Crownair or the City to induce Crownair or the City to participate in this Agreement; or

(g) the breach of any covenant, warranty or other obligation under this Agreement.

10.02 Default. A Party shall be deemed in default under this Agreement if it has:

(a) materially breached any of its obligations, warranties or representations under this Agreement;

(b) been notified by the non-breaching Party of its breach and the specific provision under this Agreement where such obligation arises; and

(c) failed to cure such breach within:

(1) five days after such notice if such breach is curable by the payment of money; or

(2) 30 days after such notice if such breach is not curable by the payment of money.

10.03 Crownair's Remedies

If Tenant is in default under this Agreement, Crownair may seek and obtain any remedy available, including withour limitation:

(a) action to collect rent and other charges which may be past due;

(b) termination of this Agreement by notice to Tenant; or

(c) seek and obtain actual and consequential damages.

10.03.1 After Tenant's breach or default under this Agreement, Crownair may continue this Agreement in full force and effect and:

(a) terminate this Agreement;

(b) re-enter the Premises and take possession; and

(c) remove all persons therefrom.

Thereafter Crownair may occupy or lease the whole Premises or any part thereof..

10.03.2 If Crownair relets the Premises under the provisions of subsection 10.03.1 of this Agreement, Crownair may execute any such lease in either Crownair's or Tenant's name. In no event shall Tenant have the right to collect any rent from any such lessee.

10.03.3 The proceeds of any such reletting shall be applied:

(a) first, to the payment of the cost and expenses of reletting the Premises, including any alterations and repairs which Crownair may deem necessary.

(b) second, to the payment of reasonable attorney's fees incurred by Crownair in connection with the retaking of said Premises and such reletting; and

(c) therafter, to the payment of any indebtedness other than rent due hereunder, including without limitation storage charges or brokerage commissions.

10.03.4 Crownair shall not be deemed to have terminated this Agreement, Tenant's right to possesion of the leasehold, the liability of Tenant to pay rent or Tenant's liability for damages under any of the provisions hereof by:

(a) service of notice pursuant to the unlawful detainer statutes of the State of California;

(b) Tenant's surrender of possesion pursuant to any such service of notice; or

(c) reentry or other action in unlawful detainer unless Crowair shall have notified Tenant of its election to terminate this Agreement.

10.03.5 Nothing contained herein obligates Crownair to relet the whole or any part of the Premises.

In the event of Crownair's entry or taking possession of the Premises, Crownair may , in its sole and absolute discretion, remove any personal property located at the Premises and store such personal property at the expense and risk of Tenant. If Tenant fails to pay the cost of storing such property after a period of 90 days, Crownair may sell any or all of such property at public or private sale, in such manner and at such times and places as Crownair, in its sole and absolute discretion may deem proper without notice to or demand upon Tenant for the paymentof any part of such charges or the removal of any such property. Crownair shall apply the proceeds of such sale: (a) first, to the cost and expenses of such sale, including without limitation attorneys' fees and costs; (b) second, to the payment of the costs or charges for storing any such property; (c) third, to the payment of any other sums of money which may then or thereafter be due to Crownair from Tenant under any of the terms hereof; and (d) therafter, the residue, if any to Tenant.

10.03.6 After Tenant's default under this Agreement, Crownair may terminate Tenant's right to possess the Premises at any time; provided, however, no act by Crownair other than giving notice to Tenant shall terminate this Agreement. Acts of maintenance, efforts to relet the Premises or Crownair's petition to appoint a receiver to protect Crownair's interest under this Agreement shall not constitute a termination of Tenant's right to possession. Upon Tenant's default under this Agreement and after Crownair's notice of termination, Crownair may recover from Tenant:

(a) the worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination of this Agreement until the time of the award exceeds the amount of such lost Tent that Tenant proves could have been reasonably avoided;

(b) the worth at the time of the award of the amount by which the unpaid Rent for the balance of the Lease Term after the time of the award exceeds the amount of such Rent lost that Tenant proves could have been reasonably avoided; and

(c) any other amount, including court costs and attorneys' fees, necessary to compensate Crownair for all detriment proximately caused by Tenant's default or which in the ordinary course of things would be likely to result therefrom.

The "worth at the time of the award", as used in herein shall be computed with interest at the maximum rate permitted by law.

10.03.7 If Tenant is in default under this Agreement, Crownair may have a receiver apponted to manage Tenant's affairs. Neither the filling of a petition for the appointment of a receiver not the appointment itself shall constitute an election by Crownair to teminate this Agreement.

10.04 Crownair's Cure. If Crownair at any time, by reason of tenant default, pays any sum or does any act that requires the payment of any sums, such sums paid by Crownair shall be immediately due and payable from Tenant to Crownair. If such sums are paid at a later date, such sums shall bear interest at the rate set forth herein from the date the sum is paid by Crownair, until Crownair is reimbursed by Tenant.

10.05 Tenant's Remedies. If Crownair is in default under this agreement, Tenant as its sole and exclusive remedy may either:

(a) seek and obtain specific performance by Crownair of this Agreement;

(b) terminate this Agreement by notice to Crownair; or

(c) demand and receive Tenant's actual damages; provided, however, such damages do not exceed that aggregate rent actually paid to the date of Crownair's default under this Agreement.

Pursuant to California Civil Code Sections 1676, 1671(d), and 1677, each party by affixing its signature below agrees such amounts shall constitute reasonable liquidated damages for a default by Crownair under the circumstances existing on the Effective Date. Upon Tenant receiving such liquidated damages, this Agreement shall terminate.

Tenant: SHIER AVIATION CORP., a California Corporation

By:_____Deann Shier, President

CROWNAIR: AIR 88, INC., a California Corporation

By:_____Giorgio Cagliero, President

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Tenant: SHIER AVIATION CORP., a California Corporation

By:_____Deann Shier, President

CROWNAIR: AIR 88, INC., a California Corporation

By:_____Giorgio Cagliero, President

11. Interest on Past Due Obligations and Late Fees

11.01 Interest. Any and all amounts owed by Tenant to Crownair which are not paid when due shall bear interest from the due date of such amount at the lower of: (a) the maximum rate permitted by law; or (b) 12 percent per annum. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Agreement.

11.02 Late Fees. If Tenant fails to make any required payment of Rent under this Agreement when such payment becomes due and payable, a late charge of five percent (5%) of the overdue amount of such Rent may be charged by Crownair without written demand or notice of the failure to make the required payment.

12. Destruction

12.01 Crownair's Right to Terminate on Partial Destruction. If there is destruction to the Premises exceeding 25% of the then replacement value, Crownair may terminate this Agreement whether or not the Premises are destroyed.

12.02 Abatement or Reduction of Rent. In case of destruction there shall be an abatement or reduction of rent to the extent which the destruction interferes with Tenant's use of the Premises. Crownair shall determine in its sole and absolute discretion the amount of such abatement or reduction and its judgment shall be final.

12.03 Waiver of Civil Code Sections. Tenant waives the provisions of Civil Code Section 1932(2) and Civil Code Section 1933(4) with respect to any destruction of the Premises.

13. NOT APPLICABLE

14. Miscellaneous

14.01 Attorneys' Fees. If any Party employs counsel to enforce or interpret this Agreement in any legal proceeding whatsoever, including without limitation insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and court costs (including without limitation the service of process, filing fees, court and court reporter costs, investigative fees, expert witness fees, and the cost of any bonds, whether taxable or not) in addition to any other remedy it may obtain or be awarded. Such reimbursement shall be included in any judgment or final order issued in the legal proceeding. The "prevailing Party" shall mean the Party determined by the court to most nearly prevail and not necessarily the Party in whose favor a judgment is rendered.

14.02 Interpretation. Wherever the context of this Agreement requires, all words used in the singular shall be construed to have been used in the plural, and vice versa, and the use of any gender specific pronoun shall include any other appropriate gender. The term "person" shall refer to any individual, corporation or legal entity having standing to bring an action in its own name under California law. The conjunctive "or" shall mean "and/or" unless otherwise required by the context in which the conjunctive "or" is used. This Agreement has been negotiated at arm's length and each Party has been represented by independent legal counsel in this transaction. Accordingly, any rule of law (including without limitation Section 1654 of the California Civil Code) or legal decision that would require interpretation of any ambiguities in this Agreement against the Party drafting it is not applicable and is hereby waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the Parties and this Agreement.

14.03 Assignment. Crownair may convey, assign, encumber or otherwise transfer its rights, duties and obligations under this Agreement with the prior consent of Tenant, which consent shall not be unreasonably withheld.

14.04 Successors. Except as provided to the contrary in this Agreement, this Agreement shall be binding on and inure to the benefit of the Parties and their successors and assigns.

14.05 Exhibits. All exhibits referred to in this Agreement are attached to this Agreement and incorporated herein by such reference.

14.06 Governing Law & Trial by Reference. This Agreement shall be construed and interpreted in accordance with the laws of the State of California. Any action brought to interpret or enforce this Agreement shall be tried by the reference procedures set forth in California Code of Civil Procedure Section 638 et seq. upon motion by either Party to the Superior Court for the County of San Diego, California. A single referee shall be appointed to try the matter and such referee shall be a retired judge of the California Superior Court, California Court of Appeals or California Supreme Court. Each Party may reject two judges appointed by the court and hereby waives the right to trial by jury. The referee shall be compensated at the rate per hour charged by senior attorneys in major San Diego County law firms, which rate is acknowledged to currently be $250.00 per hour. During the pendency of the referenced proceeding, each Party shall pay one-half of the cost thereof. Upon the conclusion of the referenced proceeding, the losing Party shall pay all remaining costs of the referenced proceeding and reimburse the prevailing Party for any costs of such referenced proceeding previously paid by the prevailing Party. Such reimbursement shall be included in any judgment or final order issued in the referenced proceeding.

14.07 Integrated Agreement, Modifications. This Agreement contains all the agreements of the Parties concerning the subject matter hereof and shall not be amended or modified except by a written instrument executed by the Parties.

14.08 Severability. The unenforceability, invalidity or illegality of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

14.09 Notices. Any notice, disclosure, demand, request, consent, approval, waiver, declaration or other communication that a Party desires or is required to give to another Party or any other person under this Agreement shall be in writing.

14.09.1 Any such communication may be served personally, transmitted by telecopier, delivered by a recognized national overnight express delivery service (e.g., Federal Express) or sent by prepaid, "return receipt requested", certified mail to the addresses set forth in the Term Schedule to this Agreement.

14.09.2 Any such communication shall be deemed effective upon personal delivery, confirmed receipt of telecopied notice, two days after delivery of the notice by a recognized national overnight delivery service (e.g., Federal Express) or three days after mailing.

14.09.3 Any Party may change its address by notice to the other Party.

14.10 Waivers. Any waiver by any Party shall be in writing and shall not be construed as a continuing waiver. No waiver will be implied from any delay or failure to take action on account of any default by any Party. Consent by any Party to any act or omission by another Party shall neither be construed as a consent to any subsequent act or omission nor waive any requirement for obtaining consent in any future or other instance.

14.11 Necessary Acts. Each Party agrees to perform or require its authorized representatives to perform such acts and execute such documents as may be necessary or appropriate from time to time to carry out the terms and conditions of this Agreement.

14.12 Time. Time is of the essence to the performance of each and every obligation under this Agreement.

14.13 Signs. Tenant may erect a sign or signs upon the Premises under this Agreement ONLY with Crownair's prior written consent, which consent may be unreasonably withheld. Tenant shall keep such signs in presentable condition and shall remove the same upon expiration or termination of this Agreement and repair any damage caused by such removal.

14.14 Insurance. Tenant at its sole cost and expense shall procure in such amounts as Crownair may reasonably designate and in accordance with the Master Lease (which in no event shall be in amounts less than combined single-limit coverage equal to $1,000,000), and at all times provide, maintain and keep in force:

(a) casualty insurance:

(1) insuring against loss or damage to the Premises and any personal property therein;

(2) insuring against such other risks or hazards as Crownair from time to time may designate; and

(3) written with a so-called "stipulated amount endorsement" or its equivalent attached to prevent any named insured from becoming a co-insurer;

(b) comprehensive public liability insurance; and

(c) such insurance policies and coverages as may be set forth in the Master Lease or required by notice from Crownair.

All policies of insurance required under this Agreement shall provide that each Party and its employees and agents are named insureds and contain a loss payable endorsement for the benefit of Crownair and Landlord.

14.15 Permits & Approvals. Tenant shall comply with all laws and obtain all necessary permits or approvals concerning the Premises or Tenant's use of the Premises, including without limitation, the obligation at Tenant's cost to alter, maintain or restore the Premises in compliance and conformity with all laws relating to the condition, use or occupancy of the Premises during the term.

14.16 Surrender of Premises. On or before the Termination Date, Tenant shall: (a) surrender to Crownair the Premises and all Tenant's improvements and alterations in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant) except for alterations that Tenant has the right to remove as may be agreed upon by the Parties or is obligated to remove under the Master Lease; (b) remove all its personal property; and (c) perform all restoration made necessary by the removal of any alterations or Tenant's personal property.

14.17 Common Area Maintenance. Tenant shall maintain the common areas in good condition at all times. Crownair shall have the right to: (a) establish and enforce reasonable rules and regulations applicable to Tenant concerning the maintenance, management, use and operation of the common areas; (b) close any of the common areas to whatever extent required in the opinion of Crownair's counsel to prevent a dedication of any of the common areas or the accrual of any rights of any person or of the public to the common areas; (c) close temporarily any of the common areas for maintenance purposes; (d) designate other property outside the boundaries of the Premises to become part of the common areas; (e) select a person to maintain and operate any of the common areas if at any time Crownair determines that the best interests of the Premises will be served by having any of the common areas maintained and operated by that person; and (f) make changes to the common areas including, without limitation, changes in the location of driveways, entrances, exits or the direction of the flow of traffic.

14.18 Taxes. Tenant shall pay before delinquency all personal property and sales or use taxes and Tenant's proportionate share of all real property taxes which Crownair is obligated to pay under the Master Lease, if any, over and above those real property taxes levied and assessed for the base year 1987-1988. On demand by Crownair, Tenant shall furnish Landlord with satisfactory evidence of such payment.

14.18.1 Tenant's proportionate share of real property taxes shall be determined by the ratio that the total number of square feet in the Premises bears to the total number of square feet leased to Crownair under the Master Lease.

14.18.2 Each year Crownair shall notify Tenant of Crownair's calculation of Tenant's proportionate share of the real property taxes and together with such notice shall furnish Tenant with a copy of the tax bill, including the tax bill for the base year. Tenant shall reimburse Crownair for Tenant's proportionate share of the real property taxes semi-annually not later than ten days before the taxing authority's delinquency date or ten days after receipt of the tax bill, whichever is later.

14.18.3 Tenant shall be liable for increases in real property taxes (whether the increases result from an increased rate or valuation) attributable to additional improvements to the Premises after the base tax year, but only if and to the extent such additional improvements benefit Tenant or the Premises as determined by Crownair. If and to the extent such additional improvements do not benefit Tenant or the Premises, the increase in real property taxes attributable thereto shall be added to the base year real property taxes for the purpose of computing Tenant's liability for future increases in real property tax.

14.18.4 If any general or special assessment is levied and assessed against Crownair, Crownair may elect to either pay the assessment in full or allow the assessment to go to bond. If Crownair pays the assessment in full, Tenant shall pay to Crownair each time a payment of real property taxes is made a sum equal to that which would have been payable (as both principal and interest) had Crownair allowed the assessment to go to bond.

14.18.5 Tenant's liability to pay real property taxes shall be prorated on the basis of a 360-day year to account for any fractional portion of a fiscal tax year included in the term at its commencement and expiration.

14.18.6 Except as otherwise provided in this Lease, Tenant shall not be required to pay any municipal, county, state or federal income or franchise taxes of Crownair or any municipal, county, state or federal estate, succession, inheritance or transfer taxes of Crownair. Tenant shall pay prior to delinquency any government agency levy or assessment against Crownair which constitutes a tax, fee or excise as a direct substitution in whole or in part for or in addition to any real property taxes, including without limitation a so-called value added tax, on: (a) Rents; (b) the square footage of the Premises; (c) the act of entering into this Lease; or (d) on the occupancy of Tenant. Tenant's share of any such tax, fee or excise, shall be substantially the same as Tenant's proportionate share of increases in real property taxes provided in this Agreement.

14.19 Negative Covenants. Tenant shall not:

(a) engage in or perform any activity which causes an increase in Crownair's insurance rates or any insurance covering the Premises;

(b) engage in or perform any activity which inhibits in any manner the use and enjoyment of adjacent spaces or any other part of the Montgomery Field Airport;

(c) perform or fail to perform any act in violation of any rules prescribed by Crownair and made known to Tenant or any applicable laws, rules, regulations, zoning, building or fire codes or ordinances, environmental laws or other provisions relating to the use, occupancy or configuration of the Premises or of any agency or authority having jurisdiction over such activity, including without limitation the rules and regulations of the City of San Diego or the Montgomery Field Airport;

(d) use, generate, manufacture, treat, store, handle, dispose, transfer, produce or process any Hazardous Materials in the Premises, on the Premises or within 2,000 feet thereof;

(j) expose the Premises or any area within 2,000 feet thereof to any: (1) asbestos-containing materials; (2) electrical transformers, fluorescent light fixtures with ballasts or other equipment containing polychlorinated biphenyls (i.e. PCBs); or (3) storage tanks for gasoline or any other substance, whether or not such tanks are on or under the surface of the land;

(k) arrange by contract, agreement or otherwise for the generation, manufacture, refinement, handling, transfer, production, processing, disposal, storage, treatment or transportation of any Hazardous Materials in, upon, over, across or with respect to the Premises or any property within 2,000 feet thereof; and

(l) permit the occurrence of any event or condition of any character that might reasonably have a material adverse effect on the fair market value, ownership, operation, maintenance or financial prospects of the Premises or the Montgomery Field Airport.

14.20 Additional Personal Covenants. Tenant covenants, represents and warrants that Tenant shall:

(a) be the operator of the Premises within the meaning of and for the purposes of 42 U.S.C. Section 9601(20)(a);

(b) immediately notify Crownair and the City of San Diego of the occurrence of any event which has a material adverse effect on the fair market value, ownership, operation, maintenance or financial prospects of the Premises or the Montgomery Field Airport, including without limitation discovery that: (1) Hazardous Materials were, are or will be present in, on or over the Premises or the Montgomery Field Airport or other property within 2,000 feet thereof; (2) the Premises do not comply with any laws or regulations applicable to it; or (3) any covenant, warranty or representation under this Agreement has been materially breached; and

(c) comply at all times during the Lease Term with any rules prescribed by Crownair and made known to Tenant or any applicable laws, rules, regulations, zoning, building or fire codes or ordinances, environmental laws or other provisions relating to the use, occupancy or configuration of the Premises or of any agency or authority having jurisdiction over such activity, including without limitation the rules and regulations of the City of San Diego or the Montgomery Field Airport.

14.21 Bad Faith Waste. The occurrence of any act, omission or event which results in a breach of the covenants, warranties and representations contained in Sections 14.20 or 14.21 shall constitute bad faith waste of the Premises.

14.22 Organization. Each Signatory executing this Agreement on behalf of a Party which is not a natural person warrants and represents that such Party:

(a) is properly and validly organized, existing in compliance with the laws of the jurisdiction of its organization;

(b) has the requisite power and authority to carry out its obligations under this Agreement as contemplated under this Agreement;

(c) is qualified to do business in every jurisdiction as required by the nature of its operations;

(d) is in compliance with all laws, regulations, ordinances and orders of public authority; and

(e) is in compliance with all provisions of its Governing Instruments.

14.23 Binding Obligations. Each Signatory executing this Agreement on behalf of a Party which is not a natural person warrants and represents that this Agreement when executed and delivered shall constitute the legal, valid and binding obligation of such Party according to the terms of this Agreement. The execution, delivery and performance of this Agreement by such Signatory:

(a) are within the power of such signatory and the Party for which it is acting;

(b) have been duly authorized by all action required under such Party's Governing Instruments;

(c) have received all necessary governmental approvals;

(d) do not violate any provision of law, any order or any government agency, such Party's Governing Intruments or Other Contracts;

(e) will not be in conflict with, result in a breach of or constitute (with due notice or lapse of time) a default under any other contract; and

(f) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon such Party or the performance of the Marketing Services or any license use, except as contemplated in this Agreement.

14.24 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date.

Tenant: SHIER AVIATION CORP., a California Corporation

By:_____Deann Shier, President

CROWNAIR AIR 88, INC., a California Corporation

By:_____Giorgio Cagliero

(a) are within the power of such signatory and the Party for which it is acting;

(b) have been duly authorized by all action required under such Party's Governing Instruments;

(c) have received all necessary governmental approvals;

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By:_____Deann Shier, President

CROWNAIR AIR 88, INC., a California Corporation

By:_____Giorgio Cagliero

SUBLEASE AGREEMENT

EXHIBIT A

Definitions

"Additional Rent" shall mean two and one-half percent (2.5%) of Tenant's Gross Revenues payable in accordance with the Master Lease.

"Agreement" shall mean this SUBLEASE AGREEMENT, its attachments, exhibits and documents incorporated by reference herein, or any modifications or amendments thereof agreed to in writing by the Parties.

"Annual Base Rent shall have the meaning set forth in the Term Schedule and in Section 5.01 of this Agreement.

"Crownair" shall mean AIR 88, INC., a California corporation and its successors and assigns.

"Crownair Offices" shall mean those certain improvements to the real property located at 3753 John J. Montgomery Drive in the City of San Diego, County of San Diego, State of California and more particularly set forth and depicted in the diagram attached hereto as Exhibit B.

"Beginning Index" shall mean the Index which was published for the month immediately preceding the date of the commencement of the term of the Master Lease.

"Commencement Date" shall mean the date first set forth in the Term Schedule to this Agreement.

"Effective Date" shall mean the date first set forth above in the Term Schedule to this Agreement.

"Event of Insolvency" shall mean when a person:

(a) seeks or submits to a decree or order, or a court shall have made or entered any decree or order with respect to such person (or a petition or pleading shall have been filed in connection therewith), which:

(1) grants, constitutes, or seeks an order for relief, appointment of a trustee or confirmation of a reorganization plan under the bankruptcy laws of the United States;

(2) approves as properly filed or seeks such approval of a petition seeking liquidation or reorganization under such bankruptcy laws or any other insolvency, bankruptcy or other debtor's relief law or statute of the United States or any state thereof; or

(3) otherwise directs or seeks the winding up or liquidation of the business affairs of such person and such petition, decree or order shall have continued in effect for an aggregate of 30 or more days (whether or not consecutive) from the first day of entry thereof;

(b) otherwise avails itself of any insolvency or other law for the protection of debtors;

(c) makes an assignment for the benefit of creditors;

(d) has all or a substantial part of its assets attached, seized, subjected to a writ or distress warrant, levied upon or subjected to a custodian or receivership;

(e) shall admit in writing its inability to pay its debts generally as they become due; or

(f) is for any reason enjoined, restrained or in any way prevented from the conduct of all or a substantial part of its business affairs.

"Extension Index" shall mean the Index published nearest the date of any rent adjustment provided herein.

"Governing Instruments" shall mean all documents which govern a Party's organization, legal existence or the relationship between its ultimate beneficial owners, including without limitation any partnership agreement, articles of incorporation, by-laws, duly adopted resolutions, shareholder agreements or buy-sell agreements.

"Gross Revenues" shall mean all income regardless of source, derived by Tenant prior to deduction of any volume or other term discounts therefrom, including without limitation:

(a) the disposition of any and all merchandise or services that are sold, leased, licensed or delivered, whether for cash or on credit (whether collected or not); and

(b) any transaction on an installment basis or otherwise involving the extension of credit which shall be treated as "Gross Revenue" at the time of the transaction, irrespective of the time of payment or when title passes.

Gross Revenues shall not include, or if included there shall be deducted (but only to the extent they have been included), the following:

(a) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise;

(b) sums and credits received in the settlement of claims for loss of or damage to merchandise;

(c) the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise; and

(d) sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes and other similar taxes now or in the future imposed on the sale of merchandise or services, but only if such taxes are added to the selling price, separately stated, collected separately from the selling price of merchandise or services and collected from customers.

"Hazardous Material" shall mean collectively any: (a) "hazardous waste" as defined by the Resource Conservation and Recovery act of 1976, as amended from time to time, and regulations promulgated thereunder; (b) "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (c) "oil, petroleum products, and their by-products" as defined by applicable state and federal law, as amended from time to time; (d) "hazardous substance" as defined by applicable state and federal law, as amended from time to time, and regulations promulgated thereunder, including without limitation, as defined in 42 U.S.C. 9601(14) and including the definition of "solid waste" and "hazardous waste" as those terms are defined in 40 C.F.R. Sections 261.1, et seq.; (e) any materials which, under federal, state or local law, statute, ordinance or regulations or court or administrative order or decree or private agreement, require special handling in collection, storage, treatment or disposal; (f) any substance, waste or material which has been determined either before, at or after the Loan Closing by any state, federal or local government authority to be capable of posing a risk of injury to health, safety or property, including without limitation all substances, wastes and materials designated or defined as hazardous, extremely hazardous or toxic pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1321, Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6903, Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, Section 25140 of the Hazardous Waste Control Law, Cal. Health & Safety Code Section 25117 and Section 25140, Section 25316 of the Carpenter-Presley-Tanner Hazardous Substance Account Act, Cal. Health & Safety Code Section 25316, Section 25501 of the Hazardous Materials Release Response Plans and Inventory Law, Cal. Health & Safety Code Section 25501, or Section 25281 of the California law regarding underground storage of hazardous substances, Cal. Health & Safety Code Section 25281; and (g) asbestos, asbestos-containing materials or products.

"Initial Term" shall mean the period commencing on the Commencement Date and ending on the fifth anniversary thereof.

"Indemnitee" shall mean any person benefited by Tenant's indemnification obligation under this Agreement.

"Index" shall mean the "Consumer Price Index-All Items for the Los Angeles-Long Beach Area, 1967 Base Constituting 100", published by the United States department of Labor, Bureau of Labor Statistics.

"Lease Term" shall mean the period commencing on the Commencement Date and ending on the Termination Date as the same may be extended under this Agreement.

"Master Lease" shall mean that certain lease for the improved real property located at 3753 John J. Montgomery Drive in the City of San Diego, County of San Diego, State of California dated January 26, 1989 executed by and between the City of San Diego as lessor and Crownair, as tenant.

"Other Contracts" shall mean any indenture, agreement or other instrument to which a Party or any of its Affiliates is a party or by which such Party or its Affiliates may be bound.

"Party" or "Parties" shall mean either Crownair, Tenant or both as the context requires.

"Premises" shall mean that certain improved real property more particularly described in the Term Schedule and depicted on Exhibit B, hereto.

"Rent" shall mean Base Annual Rent plus Additional Rent.

"Security Deposit" shall mean the initial sum set forth in the Term Schedule of this Agreement to be held by Crownair as a security deposit for the faithful performance by Tenant of all of his duties and obligations hereunder.

"Signatory" shall mean a natural person duly authorized to execute this Agreement and other required documents on behalf of an entity that is not a natural person.

"Tenant" shall mean those persons set forth in the Term Schedule to this Agreement and any successors in interest permitted under this Agreement.

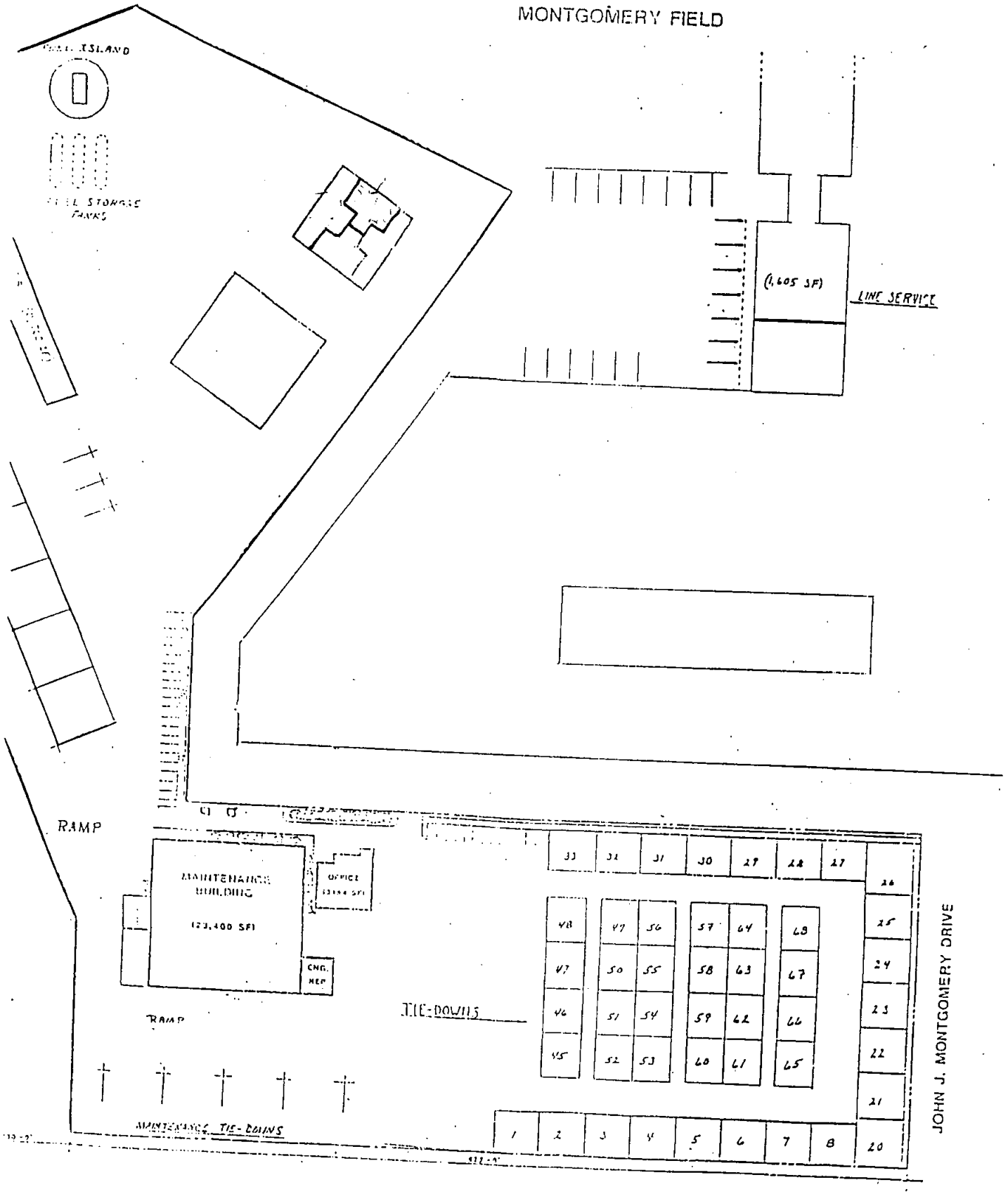
"Termination Date" shall mean the earlier to occur of:

(a) the fifth anniversary of the Termination Date unless otherwise extended pursuant to this Agreement;

(b) earlier termination pursuant to the terms of the Sublease Agreement; or

(c) the date of termination, for any reason whatsoever, of the Master Lease.

EXHIBIT B


MONTGOMERY FIELD
(1,605 SF)
LINE SERVICE
RAMP
MAINTENANCE BUILDING
123,400 SF
OFFICE
CNG. REP
TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

SUBLEASE AGREEMENT

EXHIBIT C

MASTER LEASE

Filed in the Office of the City Clerk of San Diego,
California as Document No. RR272626 on January 9, 1989

Addendum to Sublease Agreement dated April 1, 1995

MINIMUM STANDARD SUBLEASE CONDITIONS

(Required in all subleases prior to City Manager approval)

ASSIGNMENT AND SUBLEASING:

Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease.

HOLD HARMLESS:

Sublessee shall assume the defense of, indemnify and save harmless Lessee and City against loss from public liabitlity arinsing from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to City by the insurance company.

LEGAL PROCEEDINGS:

Should it become necesary for Lessee or City to commence legal proceedings to collect rent, to recover possesion or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

SUBORDINATION:

This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated January 26, 1989, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

Giorgio Cagliero, President C R O W N A I R	Dearin Shier, President SHIER AVIATION CORP.

Addendum to Sublease Agreement dated April 1, 1995

MINIMUM STANDARD SUBLEASE CONDITIONS

(Required in all subleases prior to City Manager approval)

ASSIGNMENT AND SUBLEASING:

Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and the City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease.

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Sublessee shall assume the defense of, indemnify and save harmless Lessee and City against loss from public liabitlity arinsing from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to City by the insurance company.

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Should it become necesary for Lessee or City to commence legal proceedings to collect rent, to recover possesion or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

SUBORDINATION:

This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated January 26, 1989, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

Giorgio Cagliero, President
CROWNAIR

Deann Shier, President
SHIER AVIATION CORP.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair, a California corporation (LESSEE) and filed in the Office of the City Clerk as Document RR-272626, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Scandinavian Flight Academy, (SUBLESSEE) dated June 1, 1995, attached hereto. Said Sublease shall subordinate to the Master Lease in all respects.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

In addition, this Consent is subject to the following conditions: None.

CITY OF SAN DIEGO

Dated 3/13/96

BY _____
Airport Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 3/20/96

By _____
Chief Deputy City Attorney

DOCUMENT NO_____

FILED_____
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: scandinavian.sub

DOCUMENT NO. RR-272626-9

FILED APR 2 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Air 88, Inc. dba Crownair
3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

Sublease

Air 88, Inc., dba Crownair, a California corporation, herein called "Sublessor", hereby subleases to Scandinavian Flight Academy, herein called "Sublessee", space for aircraft parking, on land herein called "the Premises". The Premises are shown on the plot map attached hereto as Exhibit A.

Recitals

A. Sublessor is the lessee under that certain lease dated January 26, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City").

B. Sublessee has contracted the use of aircraft tie-downs (space numbers 8, 14, 15, 22-24) for the purpose of conducting flight training.

Definitions

A. Aircraft: A fixed wing, rotary wing or lighter than air machine or device, capable of atmospheric flight.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on June 1, 1995 and shall end on November 31, 2013, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. Rent. Sublessee agrees to pay the Sublessor tie-down rent for the purposes of parking aircraft under the terms established in the aircraft tie-down contract, attached as Exhibit B.

4. Additional Rent. Sublessee shall pay as additional rent two and one-half percent (2.5%) of Sublessee's gross revenues at such times and on such terms and conditions as may be set forth in the Master Lease.

5. Rent Adjustment. The aircraft parking space rent provided for in Section 3 above shall be subject to adjustment at the end of the first two year period after the flat-rate master lease has been signed into effect, and at the end of each two year period thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Aero, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index. Upon adjustment of the ground rent as provided in this section, the parties shall immediately execute an amendment to this sublease stating the new ground rent, which shall be subject to adjustment on the following adjustment date. In no event shall the ground rent be less than the initial ground rent set forth in Section 3 above.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

6. Utilities and Taxes as Additional Rent. In addition to the aircraft parking space rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.
(b) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

7. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest

at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

9. Use of the Premises. Unless prior approval has been obtained Sublessee or its tenants shall limit use of the Premises to park aircraft used for the purpose of flight training.

10. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

    Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. Insurance. Sublessee shall procure and maintain insurance coverage for aircraft operated and parked in the premises by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 8665 Gibbs Drive, Suite 110, San Diego, CA 92123. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may

be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____, _____.
Giorgio Cagliero Daniel Gayet The City of San Diego

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1st day of June, 1995.

Sublessor:

Air 88, Inc. dba Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

Scandinavian Flight Academy

by: _____
Daniel Gayet, President

Scandinavian Flight Academy
8665 Gibbs Drive, Suite 110
San Diego, CA 92123
(619) 278-5770

City (of San Diego):

_____
Printed Name Title

_____
Signature

_____
Address

_____
City State Zip

_____
Telephone Number (include area code)

Exhibit A

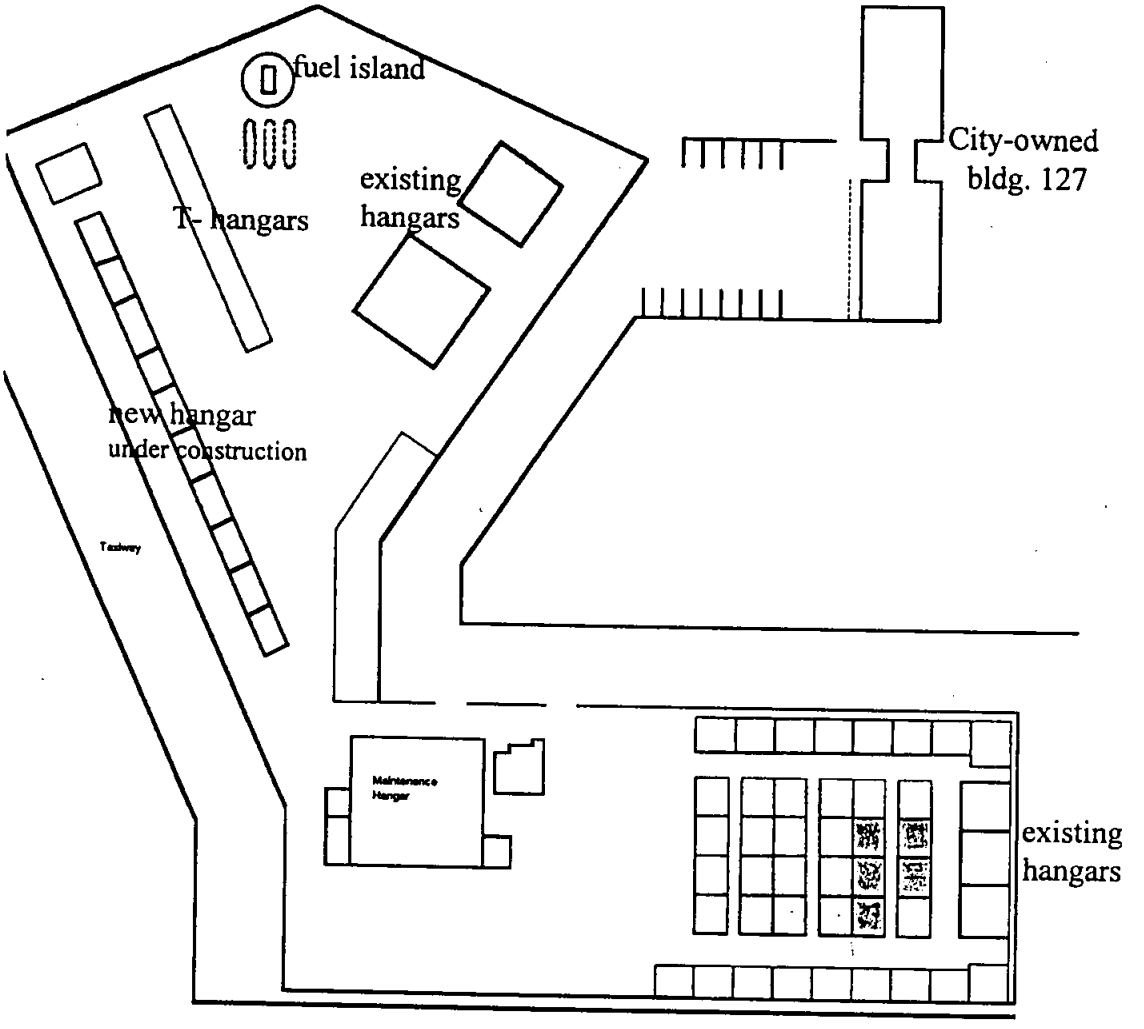

fuel island
T- hangars
existing hangars
City-owned bldg. 127
new hangar under construction
Taxiway
Maintenance Hangar
existing hangars

EXHIBIT B

CROWNAIR SINCE 1951

TIE-DOWN SPACE AGREEMENT

This agreement entered into this **1st** day of **June 1995** by and between **CROWNAIR** and **Scandinavian Flight Academy**, herein called Lessee.

The following terms and conditions shall govern the rental by **Crownair** of Tiedown space to Lessee:

1. **Terms**: This agreement shall commence on **June 1, 1995** and remain in effect for a period of one month. Thereafter this agreement shall continue in effect from month to month, being automatically renewed after each month unless 30 days' notice is given by either party that the agreement should not be renewed.

2. **Rent:** Lessee shall pay, as rent for the use of the described Tiedown area, the amount of **$65.00** per month, payable in advance on the first day of each month. Rent may be changed from time to time by **Crownair** upon 30 days' written notice to Lessee.

3. **Premises:** The premises leased shall be the Tiedown located on **Crownair's** premises at the Montgomery Field Airport, designated as Tiedown space **# 8, 14, 15, 22, 23, & 24**, together with reasonably necessary rights of access across **Crownair's** adjoining areas.

4. **Liabilities:** **Crownair** hereby expressly disclaims any and all liability for damage to the aircraft while parked on the ramp, except for such damage as may be caused by movement or handling of the aircraft by **Crownair's** employees, except that if Lessee participates in any way or gives instructions to **Crownair's** employees regarding such movement, **Crownair** shall not be liable in any way for damage to the aircraft. **Crownair** shall provide, for the purpose of securing the aircraft to its Tiedown spot, suitable ropes and anchors. But is in no way responsible for breakage or replacement of said ropes. **Crownair's** employees shall provide, whenever feasible, assistance in securing the aircraft; however, it is hereby expressly agreed that Lessee shall have the final responsibility for securing the aircraft. **Crownair** shall not be liable for any damage or loss caused by or related to improper or inadequate securing of the aircraft.

5. **Use of Premises:** The space hereby leased is to be used for the sole purpose of parking an aircraft owned or leased by Lessee. **Crownair** shall be informed of the specific aircraft to be parked on the Tiedown space and no change of aircraft using the parking space will be made without the approval of **Crownair**. No maintenance of any kind will be conducted on the Tiedown space without the specific authorization of **Crownair**. In no event shall any maintenance be conducted that involves the draining of any fluids, or that involves the services of an aircraft mechanic other than an employee of **Crownair** performing in the course of his duties as such an employee. Lessee specifically agrees that no commericial aviation activities will be conducted on or from **Crownair's** premises without the express approval of **Crownair**, this includes, but is not limited to, rental of aircraft, charter, leasing, flight instruction, aerial survey/photography, etc.

6. **Sublease/Assignment:** The space hereby rented will not be subleased by Lessee, nor will this lease be assigned without the express approval of **Crownair**. Parking of aircraft not belonging to, or leased by Lessee, shall be construed as a sublease and unless approved by **Crownair** shall be grounds for termination of this lease.

7. **Termination:** This agreement may be terminated by either party upon 30 days written notice of non-renewal as provided for in Paragraph 1 above. In addition, **Crownair** may terminate this agreement during the course of a monthly term upon the occurrence of any of the following which shall constitute a breach of this lease agreement by Lessee:

--Rent is not paid by the 10th of any month.

--Lessee has failed to comply with any condition of this lease and has not reasonably corrected the deficiency upon notice by **Crownair**. In the event of such breach, **Crownair** shall notify Lessee of termination in writing. Lessee shall have three (3) days to remove his aircraft from the Tiedown space, after which **Crownair** is hereby specifically authorized to remove the aircraft, without further obligation to Lessee or Liability for aircraft removed.

CROWNAIR (Lessor)

Giorgio Cagliero - President

SCANDINAVIAN FLIGHT ACADEMY (Lessee)

Daniel Gayet - President

3753 John J Montgomery Dr - San Diego, CA 92123 - Phone (619) 277-1453 - Fax (619) 277-1937

Air 88, Inc. dba: CROWNAIR
3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

Sublease

Air 88, Inc., dba: CROWNAIR, a California corporation, herein called "Sublessor", hereby subleases to ATE of California, a California corporation doing business as AMERICAN FLYERS, herein called "Sublessee", office space with a 3,164 sq. ft. area and five tiedown spaces, hereby called the "Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City". See Exhibit A

B. Sublessee has contracted the use of the Premises for the purpose of conducting business as a flight training center

NOW, THEREFORE, the parties agree as follows:

1. **Leasing and Description of Property**. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. **Term**.

   (a) This Sublease shall commence on **Jan. 1, 1997** and shall end on **Dec 31, 1999**, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. **Rent.** Sublessee agrees to pay the Sublessor $60,000.00 annual rent in 12 monthly installments of $5,000.00, in advance, on the first calendar day of each month of the Lease Term and without deductions or offsets.

4.- **Security Deposit**..

4.01 Payment of Deposit. A payment in the amount of $1,250.00 was received by sublessor from sublessee on October 1989 as security for the faithful performance of sublessee's covenants, duties and obligations hereunder.

4.02 Resort for Rent. If Sublessee fails to pay any sums required under this Agreement, sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to remedy any such failure, including any costs and expenses which Sublessor incurs or becomes obligated to incur in the prosecution of such remedy.

4.03 Resort for Repairs. If at any time Sublessor discovers any damage to the Premises resulting directly or indirectly, entirely or in party from any active or passive act or omission of Sublessee or any of its officers, directors, agents, invitees or employees, Sublessor shall deliver to Sublessee a notice to repair such damage. Upon Sublessee's failure to repair such damage to Sublessor's satisfaction within 30 days after such notice to repair, Sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to fund the repair.

4.04 Resort for Cleaning. If upon termination of this Agreement Sublessor determines, in its sole and absolute discretion, that the Premises are not in the same condition of cleanliness as existed on the Commencement Date, Sublessor may apply any portion of the Security Deposit as it determines necessary to put the Premises in such condition.

4.05 Restoration. If any resort by Sublessor to the Security Deposit for costs incurred to remedy any breach by Sublessee hereunder, including any costs and expenses of prosecuting such remedy. Sublessor shall notify Sublessee of the amount necessary to restore the Security Deposit to the Initial Security Deposit required herein. Such notice shall include copies or receipts, statements or other proof of the amount expended from the Security Deposit. Within 30 days after the date of such notice, Sublessee shall pay Sublessor the amount specified in the notice

4.06 Custody. No trust relationship is created herein between Sublessor and Sublessee with respect to the Security Deposit. The Security Deposit shall not bear interest and it should not be held in a separate account.

4.07 Transfer. If Sublessor assigns, conveys or otherwise transfers its interest under this Agreement, Sublessor shall either:

(a) transfer the balance of the Security Deposit after any lawful deductions, to its succesor in interest, and promptly notify Sublessee of: (1) such transfer; and (2) the name and address of the transferee, who shall have all of the same rights and obligations with respect to the Security Deposit as Sublessor had: or

(b) return such balance to Sublessee.

After doing either (a) or (b), Sublessor shall be relieved of any further liability with respect to the Security Deposit.

4.08 Return. Within 30 days after termination of this Agreement, Sublessor shall return the balance of the Security Deposit to Sublessee after any lawful deductions.

5. **Rent Adjustment.** The rent provided for in Section 3 above may be adjusted at the end of each one year period. The Annual Base Rent adjustment shall not be greater than the current CPI index.

6. **Utilities and Taxes as Additional Rent**. In addition to the rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Any filing fees charged by any governmental entity for the recording of this sublease.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Utilities: Water and Electricity are included in the rent amount.

7. **Late Charges**. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. **Interest on Late Payments**. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

9. **Use of the Premises**. Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of conducting business as a flight training center.

10. **Maintenance**. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.
Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. **Rules and Regulations**. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. **Hold Harmless and Indemnity**. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. **Insurance**. Sublessee shall procure and maintain insurance coverage for aircraft operated and parked in the premises by the Sublessee. The Sublessee shall make available to the Sublessor evidence of aircraft insurance coverage if requested by the Sublessor.

14. **Applicability of Master Lease**. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. **Assumption**. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

16. **Obligations of Sublessor**. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. **Default**. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for five (5) business days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. **Non-Discrimination**. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. **Suspension of Term**. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. **Notices**. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

Notices and demands shall be addressed to:

Sublessee: Attn: Clark Mc Cormick
AMERICAN FLYERS
4201 N Main St
Forth Worth TX 76106

Sublessor: Attn: Giorgio Cagliero, Pres.
CROWNAIR
3753 John J. Montgomery Dr.
San Diego, CA 92123

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. **Binding Arbitration of Disputes**. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____,
Giorgio Cagliero Clark McCormick

22. **Attorney's Fees**. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. **Subleasing or Assigning as Breach**. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation

of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. **Binding on Heirs and Successors**. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. **Time of Essence**. Time is expressly declared to be of the essence of this sublease.

26. **Modification**. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1st day of January, 1997.

Sublessor:

Air 88, Inc. dba CROWNAIR, a California corporation

by: _____

Giorgio Cagliero, President

Sublessee:

ATE of California, dba: AMERICAN FLYERS

by: R. Clark McCormack

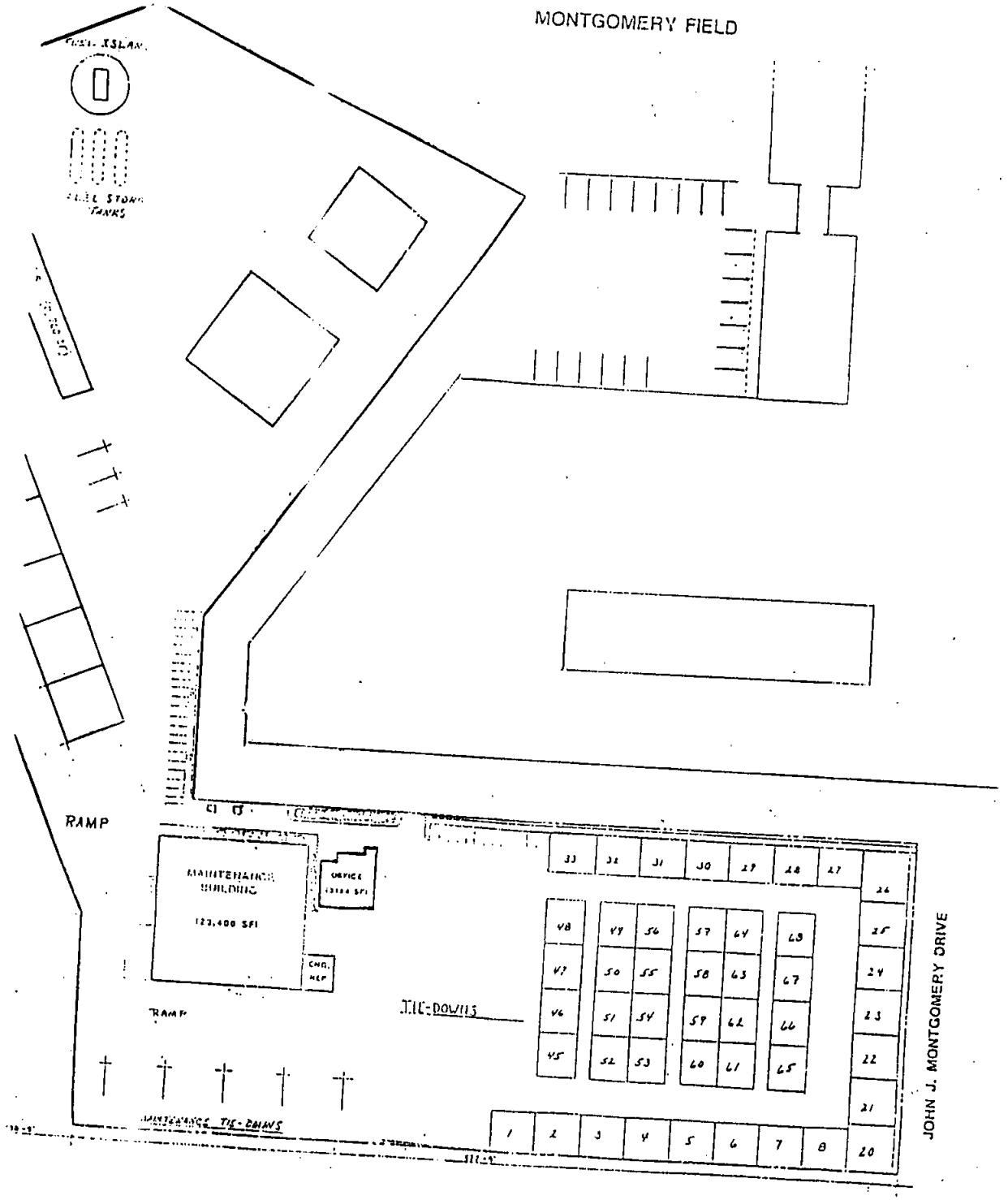
President

EXHIBIT A

MASTER LEASE

Filed in the Office of the City Clerk of San Diego, California as Document No. OO18298 on May 6, 1996

EXHIBIT B


MONTGOMERY FIELD
RAMP
MAINTENANCE BUILDING
123,400 SFI
OFFICE
CNG
HELP
RAMP
TIE-DOWNS
MAINTENANCE TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

Original

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on December 31, 1999 between the above LESSEE (SUBLESSOR) and ATE of California, a California Corporation, doing business as American Flyers (SUBLESSEE), for a hangar containing approximately 3,164 square feet and five aircraft tiedown spaces (Premise), as shown on Exhibit "B," in the Sublease Agreement.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the Subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving the subleasing to American Flyers, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the Premise solely for a flight training center, which shall include its administration offices, aviation ground school training, flight instruction of fixed-wing aircraft, aircraft tiedown spaces, and for no other uses, whatsoever, without obtaining prior CITY written approval.

3. AUTOMOBILE PARKING: SUBLESSOR shall provide adequate parking on its leasehold for SUBLESSEE, its employees and customers. SUBLESSEE shall not use the CITY'S permit parking lot without obtaining prior City written approval and paying the appropriate fees.

4. LICENSES AND PERMITS: SUBLESSEE shall at all times maintain current licenses and permits required for these purposes.

5. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease.

6. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the

DOCUMENT NO. 00-18298-35

FILED MAY 0 8 2000

OFFICE OF THE CITY CLERK

SAN DIEGO, CALIFORNIA

subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 5-1-00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 4-25-00

By: _____
American Flyers

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/27/00

By: _____
Deputy City Attorney

File: A:Air88/cst.am.flyers

crownair
AVIATION

Sublease

Air 88, Inc., dba: CROWNAIR, a California Corporation, herein called "Sublessor", hereby subleases to ATE of California, a California Corporation doing business as AMERICAN FLYERS, herein called "Sublessee", office space with a 3,164 sq. ft. area and five tiedown spaces, hereby called the "Premises". The Premises are shown on the plot map attached hereto as Exhibit B.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego, herein called the "City." See Exhibit A.

B. Sublessee has contracted the use of the Premises for the purpose of conducting business as a flight-training center.

NOW, THEREFORE, the parties agree as follows:

1. **Leasing and Description of Property.** Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. **Term.**

   (a) This Sublease shall commence on March 15, 2000 and shall end on December 31, 2005, unless sooner terminated as provided herein. Sublessor will offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. In the event that a new or extended master lease has not been executed prior to the termination of the Master Lease, Sublessor shall take all reasonable steps to protect Sublessee's right to occupy the Premises, and will offer Sublessee a new or extended sublease if and when a new master lease is executed. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

3. **Rent.** Sublessee agrees to pay the Sublessor $64,800 annual rent in 12 monthly installments of $5,400.00 in advance, on the first calendar day of each month of the Lease Term and without deductions or offsets.

4. **Security Deposit.**

4.01 Payment of Deposit. A payment in the amount of $1,250.00 was received by Sublessor from Sublessee on October 1989 as security for faithful performance of Sublessee's covenants duties and obligations hereunder.

4.02 Resort for Rent. If Sublessee fails to pay any sums required under this Agreement, Sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to remedy any such failure, including any costs and expenses which Sublessor incurs or becomes obligated to incur in the prosecution of such remedy.

4.03 Resort for Repairs. If at any time Sublessor discovers any damage to the Premises resulting directly or indirectly, entirely or in party from any active or passive act or omission of Sublessee or any of its officers, directors, agents, invitees or employees, Sublessor shall deliver to Sublessee a notice to repair such damage. Upon Sublessee's failure

3753 John J. Montgomery Drive • San Diego, California 92123
(858) 277-1453 • (888) CROWNAIR • FAX (858) 277-1937
www.crownairaviation.com

to repair such damage to Sublessor's satisfaction within 30 days after such notice to repair, Sublessor may apply any portion of the Security Deposit as Sublessor determines, in its sole and absolute discretion, as necessary to fund the repair.

4.04 Resort for Cleaning. If upon termination of this Agreement Sublessor determines, in its sole and absolute discretion, that the Premises are not in the same condition of cleanliness as existed on the Commencement Date, Sublessor may apply any portion of the Security Deposit as it determines necessary to put the Premises in such condition.

4.05 Restoration. If any resort by Sublessor to the Security Deposit for costs incurred to remedy any breach by Sublessee hereunder, including any costs and expenses of prosecuting such remedy. Sublessor shall notify Sublessee of the amount necessary to restore the Security Deposit to the Initial Security Deposit required herein. Such notice shall include copies or receipts, statements or other proof of the amount expended from the Security Deposit. Within 30 days after the date of such notice, Sublessee shall pay Sublessor the amount specified in the notice.

4.06 Custody. No trust relationship is created herein between Sublessor and Sublessee with respect to the Security Deposit. The Security Deposit shall not bear interest and it should not be held in a separate account.

4.07 Transfer. If Sublessor assigns, conveys or otherwise transfers its interest under this Agreement, Sublessor shall either:

(a) transfer the balance of the Security Deposit after any lawful deductions, to its successor in interest, and promptly notify Sublessee of: (1) such transfer; and (2) the name and address of the transferee, who shall have all of the same rights and obligations with respect tot he Security Deposit as Sublessor had;
or

(b) return such balance to Sublessee.

After doing either (a) or (b), Sublessor shall be relieved of any further liability with respect to the Security Deposit.

4.08 Return. Within 30 days after termination of this Agreement, Sublessor shall return the balance of the Security Deposit to Sublessee after any lawful deductions.

5. Rent Adjustment. The rent provided for in Section 3 above may be adjusted at the end of each one-year period. The Annual Base Rent adjustment shall not be greater than the current CPI index.

6. Utilities and Taxes as Additional Rent. In addition to the rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Any filing fees charged by any governmental entity for the recording of this sublease.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Utilities: Water and Electricity are included in the rent amount.

7. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy, which Sublessor may have hereunder for such default.

8. **Interest on Late Payments.** If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

9. **Use of the Premises.** Unless prior approval has been obtained, Sublessee shall limit use of the Premises to the purpose of conducting business as a flight-training center.

10. **Maintenance.** Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. Sublessee shall be responsible for all repairs required, excepting the roof, exterior wall, structural foundations and heating/air conditioning equipment unless any damage to such structures is as a result of action and/or inaction of the Sublessee under which case the Sublessee is responsible for all repairs required. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

    Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty- (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. **Rules and Regulations.** Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

12. **Hold Harmless and Indemnity.** Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insured and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable permanent structure on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change.

13. **Applicability of Master Lease.** This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. **Assumption.** Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required

to be performed by Sublessee under the provisions of the Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

15. **Obligations of Sublessor.** Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. **Default.** The occurrence of any of the following shall constitute default of Sublessee.

    (a) Failure to pay rent when due, if such failure continues for five (5) business days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (3) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. **Non-Discrimination.** Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. **Suspension of Term.** If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

19. **Notices.** Except as otherwise specifically provided in this sublease, all notices and demands, required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

Notices and demands shall be addressed to:

Sublessee: Attn: Clark Mc Cormick
AMERICAN FLYERS
4201 N. Main Street
Forth Worth, TX 76106

Sublessor: Attn: Giorgio Cagliero, President
CROWNAIR AVIATION
3753 John J. Montgomery Drive
San Diego, CA 92123

Any notice or demand shall be deemed served at the time delivery, if delivered in person, or on the business day

following deposit thereof in the United States Mail, if sent by certified mail.

20. **Binding Arbitration of Disputes.** Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes' provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration.

Initials: _____, _____
Giorgio Cagliero Clark McCormick

21. **Attorney's Fees.** Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

22. **Subleasing or Assigning as Breach.** Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any other person, other than Sublessee's guests to occupy the Premises or any part thereof without the prior written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any, voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

23. **Binding on Heirs and Successors.** The covenants and conditions contained in this Sublease, subject to the Provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

24. **Time of Essence.** Time is expressly declared to be of the essence of this sublease.

25. **Modification.** This agreement contains all of the agreements and understandings of the parties and cannot be

amended, modified or changed except by a subsequent written agreement.

26. **Contemplated Changes to Site:** Changes that may affect the Premises are currently being discussed. There are no guarantees of change. Should the Premises be changed during the term of this agreement the parties will enter into separate negotiations, prior to the changes taking place, that may lead to a modification of these lease terms.

27. **Hot Water Heater:** Sublessor shall install a hot water heater in the Premises by the Februray 29, 2000.

Executed at San Diego, California on the 31st day of December, 1999.

Sublessor:
Air 88, Inc. dba CROWNAIR, a California Corporation

By: _____
Giorgio Cagliero, President

Sublessee:
ATE of California, dba: AMERICAN FLYERS

By: _____
Clark McCormick

City (of San Diego):

_____
Printed Name **Title**

_____
Signature

_____
Address

_____
City **State** **Zip**

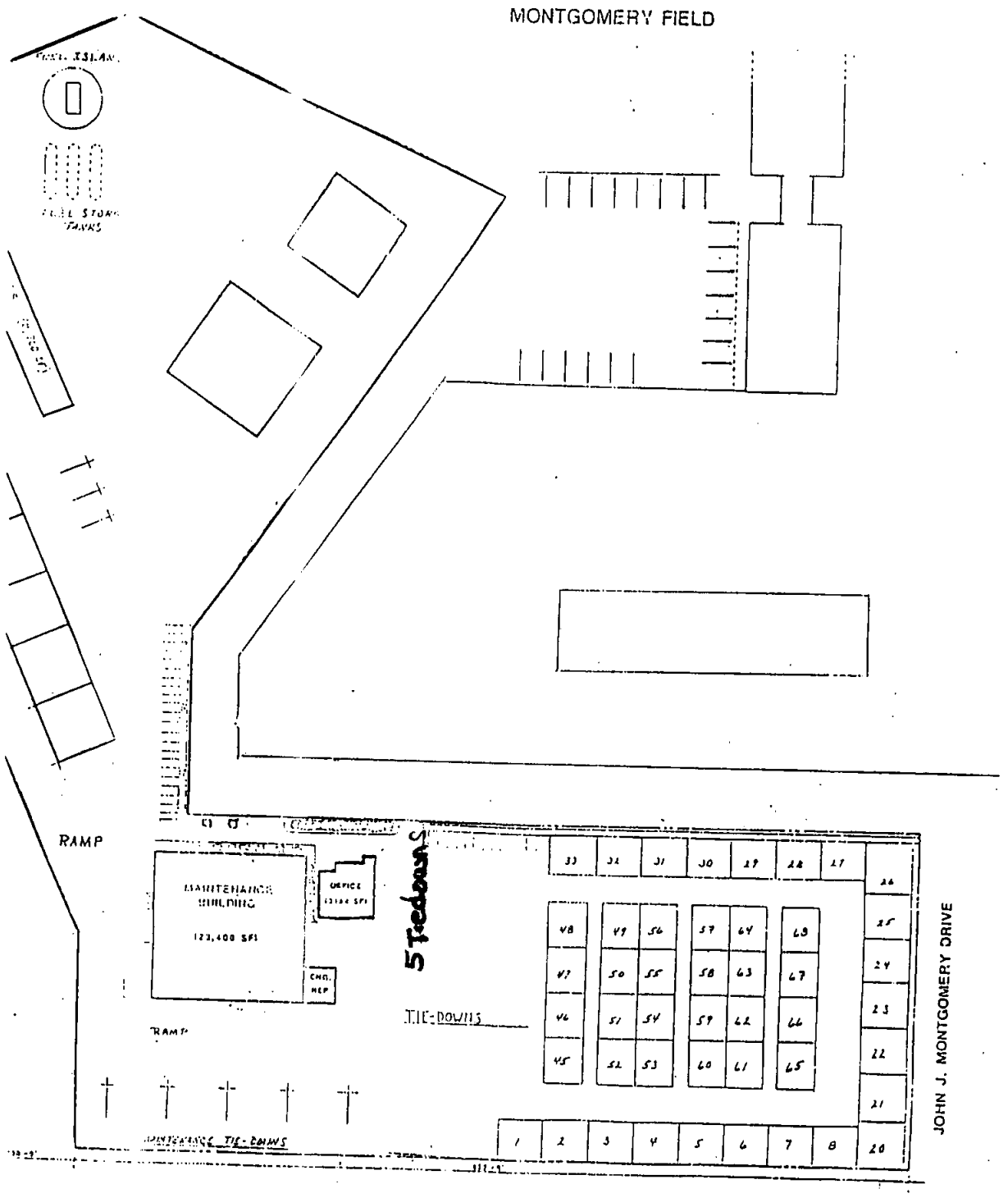
_____
Telephone Number (include area code)

EXHIBIT A

MASTER LEASE

Filed in the Office of the City Clerk of San Diego,
California as Document No. OO18298 on May 6, 1996

EXHIBIT B


MONTGOMERY FIELD
RAMP
MAINTENANCE BUILDING
123,400 SFT
OFFICE
CNTR. HELP
RAMP
TIE-DOWNS
MAINTENANCE TIE-DOWNS
JOHN J. MONTGOMERY DRIVE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) and filed in the Office of the City Clerk as Document RR-27226, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and ATE of CALIFORNIA, INC., dba AMERICAN FLYERS, a California Corporation, (SUBLESSEE) dated October 1, 1989.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: None.

CITY OF SAN DIEGO

Dated 8/31/89

By Carole A. Brooks
Supervising Property Agent
Airports Division

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 9/14/89

By
Deputy

CAB:mr
8/31/89:lessor

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Agreement") is entered into by and between AIR 88, INC., a California corporation doing business as CROWNAIR ("Crownair") and Tenant as of the Effective Date.

TERM SCHEDULE

A: Effective Date: October 1, 1989

B. Name(s) and Identity of Tenant(s): ATE of California, Inc., a California corporation doing business as AMERICAN FLYERS.

C. Description of leased Premises (square feet and space description): 3164 sq. ft. of office space located in building east of main hangar. Colored red on exhibit "B", page 14.

D. Annual Rent: $1.25 sq. ft. per month - $47,460.00 annual

E. Security Deposit: First and last month plus $2,500.00 - total $10,410.00

F. Commencement Date: October 1, 1989

G. Initial Term: 12 Months

H. Extension Term: 60 Months

I. Initial Termination Date: September 30, 1990

J. Addresses for Notices:

If to Crownair:
c/o Niels K. Mikkelsen
3753 John J. Montgomery Drive
San Diego, California 92123
Telecopier No. (619) 277-1937
Telephone No. (619) 277-1453

with a copy to:
Tyler W. Cramer, Esq.
FRIEDMAN, JAY & CRAMER, A P.C.
111 Elm Street, Suite 400
San Diego, California 92101-2683
Telecopier No. (619) 232-1042
Telephone No. (619) 236-1125

If to Tenant:
Donald D. Harrington, CEO
16461 Sherman Way, Suite 100
Van Nuys, California 91406
Telecopier No. (818)
Telephone No. (818) 780-7711

6N390 Woodhill Lane
St. Charles, Illinois 60175
(312) 584-4593
800-323-0808 (Illinois)
(312) 513-1911 (Home Office)

with a copy to:

Telecopier No. (818) 780-5984

Telephone No. 800-233-0808 (California)

1. Recitals

1.01 Tenant desires to sublease from Crownair and Crownair desires to sublease to Tenant a portion of Crownair's Offices for the purpose of conducting business as a flight training center.

1.02 Crownair is the lessee of the Premises under that certain lease dated January 26, 1989 (the "Master Lease") by and between Crownair and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C. Tenant acknowledges that the City's consent is required prior to execution and delivery of this Agreement. Tenant intends to cooperate and submit to the City any documents or other information which the City may require prior to the Effective Date.

1.03 By this Agreement and pursuant to the terms of the Master Lease, which terms are expressly incorporated herein insofar as is applicable to the Premises, Crownair intends to sublease the Premises to Tenant and Tenant intends to sublease the Premises portion of the Crownair Offices, which portion is further described above and depicted on the diagram and plot plan attached hereto as Exhibit B.

1.04 Nothing in this Agreement shall be construed as creating a joint venture or partnership between the Parties.

2. Definitions

Words and phrases having their initial letters capitalized herein shall have the meanings set forth in Exhibit A hereto, unless otherwise required by the context in which they appear.

3. Sublease Terms

3.01 Sublease. Crownair hereby subleases to Tenant and Tenant hereby subleases from Crownair the Premises, for the term, at the rental and upon all of the conditions set forth herein.

3.02 Utilities. Crownair shall be responsible for water, gas and electricity service charges used for the Premises, as required under the Master Lease. Tenant will be responsible for all other utilities used by Tenant during its occupancy of the Premises, including without limitation telephone and telecopier costs.

3.03 Improvements. Tenant shall be responsible for all costs and expenses of tenant improvements to or remodeling necessary or required for Tenant's use of the Premises; provided, however, Tenant shall not remodel, reconstruct or otherwise alter the Premises without the prior written consent of Crownair (which consent shall not be unreasonably withheld) and the City.

3.03.1 Prior to commencement of any such work, Tenant shall submit such plans and specifications for the proposed work to Crownair and the City as either such party may reasonably require.

3.03.1 If Crownair approves any work or improvements to be made by Tenant, Crownair may post and record on behalf of itself and the City such notices of nonresponsibility as Crownair may determine necessary in its sole and absolute discretion.

3.03.3 Any such work or improvement shall, upon its completion, become part of the Premises and as such shall become the property of either Crownair or the City under the Master Lease.

3.04 Condition and Maintenance. Crownair shall maintain the structural members of the building of which the Premises are a part. Tenant shall otherwise maintain the entire Premises. Tenant hereby accepts the Premises "As-is".

3.05 Parking Areas. The crosshatched areas designated in Exhibit B as automobile parking areas may be used as parking areas for not more than fifteen automobiles by Tenant, its authorized representatives and invitees. The crosshatched areas designated in Exhibit B as light aircraft parking areas may be used as parking areas for not more than five single engine light aircraft only by Tenant. Tenant shall not use and shall not permit its authorized representatives or invitees to use any other area for parking.

3.05.1 From time to time Crownair may make changes in the location of areas that may be used for parking and may prescribe other sections within or without the Premises or common areas for use as parking areas.

3.05.2 Crownair shall prescribe rules and regulations governing the use of the parking which shall be adhered to by Tenant. Crownair may construct additional improvements relating to the parking area at any time without the consent of Tenant.

4. Term and Option to Extend

4.01 Term. The Initial Term of this Agreement shall be for a period of ~~60 months~~ 12, commencing on the Commencement Date and ending at midnight on the Termination Date. If Tenant occupies the Premises prior to the Commencement Date. Such occupancy shall:

(a) be subject to all provisions hereof, including without limitation the payment of Rent in accordance with Section Five of this Agreement; and

(b) not advance the Termination Date.

4.02 Option to Extend. Tenant may extend the Initial Term for a period of five years (the "Extension Term") commencing on the fifth anniversary of the Commencement Date.

4.02.1 Tenant shall exercise the option to extend by delivering to Crownair at least 180 days prior to the Termination Date a notice of Tenant's exercise of its option to extend the Initial Term in accordance with this Agreement.

4.02.2 If Tenant is in default hereunder at any time, including without limitation following the date of notice of extension, Crownair may terminate Tenant's option and right to extend the Initial Term.

5. Rent

5.01 Base Rent. Tenant shall pay Crownair as Annual Base Rent during the Initial Term, the sum of $15.00 per square foot. Annual Base Rent shall be payable:

(a) in 12 equal installments;

(b) in advance on the first calendar day of each month of Lease Term; and

(c) without deduction, setoff, prior notice or offset.

5.01.1 On the Effective Date, Tenant shall pay Crownair the first month's installment of Rent. Rent for Tenant's occupancy during the period of the first month of the Initial Terms which is for less than a full month shall be pro-rated, calculated on a daily basis based on the Annual Base Rent and paid as Rent for such partial month's occupancy on the first day of the following month.

5.01.2 Rent shall be payable only in lawful money of the United States at the address stated herein or to such other persons or at such other places as Crownair may designate.

5.02 Additional Rent. In addition to the Annual Base Rent, Tenant shall pay as Additional Rent two and one-half percent (2.5%) of Tenant's Gross Revenues at such times and on such terms and conditions as may be set forth in the Master Lease.

5.02.1 During the Lease Term, Tenant shall furnish to Crownair a statement of Gross Revenues for the preceding calendar quarter within 20 days after the end of said calendar quarter and an annual statement of Gross Revenues within 30 days after the end of each calendar year. The amount of Gross Revenues for a calendar quarter shall be computed in accordance with generally accepted accounting principals, consistently applied. Each statement shall be signed and certified to be correct under penalty of perjury by an officer of Tenant.

5.02.2 Tenant shall keep full and accurate books of account, records, cash receipts and such other pertinent data as may be reasonably requested by Crownair from time to time showing Gross Revenues. Such books of account, records, cash receipts and other pertinent data shall be kept for a period of seven (7) years after the Termination Date. Tenant shall also furnish to Crownair copies of any tax returns at the time each is filed with the appropriate taxing authority. Crownair's receipt of any statement or any payment for any period shall not bind Crownair as to the correctness of the statement or the payment.

5.02.3 Crownair shall be entitled at any time during the Lease Term and within two years after the Termination Date to inspect and examine all Tenant's books of account, records, cash receipts and other pertinent data. Tenant shall cooperate fully with Crownair in making any inspection.

5.02.4 Crownair shall be entitled to one certified independent audit during each year of the Lease Term of Tenant's books of account, records, cash receipts and other pertinent data to determine Gross Revenues. Each such audit shall: (a) be conducted by independent certified public accountants designated by Crownair; and (b) be limited to the determination of Gross Revenues. If an audit shows a deficiency in the payment of any Additional Rent, the deficiency shall become immediately due and payable together with interest thereon at the maximum rate permitted by law commencing with the date such Additional Rent became due and payable. Tenant shall pay the costs of each audit.

5.02.5 The breach of any of Tenant's covenants, warranties or obligations under subsections 5.02.1 and 5.02.3 set forth above shall constitute a material breach of this Agreement.

5.03 Rent Adjustments. If Tenant elects to extend the Lease Term under this Agreement, the Annual Base Rent shall be annually adjusted during each such year of the Lease Term, as extended, commencing on the first anniversary of the Commencement Date and thereafter on each subsequent anniversary of the Commencement Date (an "Adjustment Date") as set forth below.

5.03.1 The index for computing such adjustments shall be the "Consumer Price Index-All Items for the Los Angeles-Long Beach Area, 1967 Base Constituting 100" (the "Index"), published by the United States Department of Labor, Bureau of Labor Statistics, which was published for the month immediately preceding the date of the commencement of the term of the Master Lease (the "Beginning Index"). If the Index published nearest an Adjustment Date (the "Extension Index") has increased over the Beginning Index, the Annual Base Rent for the following 12 months until the next Adjustment Date shall equal:

(a) the Annual Base Rent for the 12 month period immediately preceding the Adjustment Date; multiplied by

(b) a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

In no event shall the Annual Base Rent be less than the minimum Annual Base Rent set forth in Section 5.01, above.

5.03.2 If the Index is changed so that the base year differs from that used as of the month immediately preceding the month in which the term of the Master Lease commenced, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

5.03.3 If the Index is discontinued or revised during the Lease Term of this Agreement, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5.03.4 Notwithstanding the foregoing, the Annual Base Rent adjustment shall not be less than four percent (4%) or greater than eight percent (8%).

5.04 Proration. Rent for any period during the term hereof which is for less than one month shall be a pro rata portion calculated on a daily basis of the then effective Annual Base Rent.

6. Security Deposit

6.01 Payment of Deposit. On the Effective Date, Tenant shall pay Crownair the Security Deposit as security for the faithful performance of Tenant's covenants, duties and obligations hereunder.

6.02 Resort for Rent. If Tenant fails to pay any sums required under this Agreement, including without limitation any Rent or any portion thereof, Crownair may apply any portion of the Security Deposit as Crownair determines, in its sole and absolute discretion, is necessary to remedy any such failure, including any costs and expenses (including without limitation Crownair's attorneys' fees and costs) which Crownair incurs or becomes obligated to incur in the prosecution of such remedy.

6.03 Resort for Repairs. If at any time Crownair discovers any damage to the Premises resulting directly or indirectly, entirely or in part from any active or passive act or omission of Tenant or any of its officers, directors, agents, invitees or employees, Crownair shall deliver to Tenant a notice to repair such damage. Upon Tenant's failure to repair such damage to Crownair's satisfaction within 30 days after such notice to repair, Crownair may apply any portion of the Security Deposit as Crownair determines, in its sole and absolute discretion, is necessary to fund the repair.

6.04 Resort for Cleaning. If upon termination of this Agreement Crownair determines, in its sole and absolute discretion, the Premises are not in the same condition of cleanliness as existed on the Commencement Date, Crownair may apply any portion of the Security Deposit as it determines, in its sole and absolute discretion, is necessary to put the Premises in such condition.

6.05 Restoration. After any resort by Crownair to the Security Deposit for costs incurred to remedy any breach by Tenant hereunder, including any costs and expenses of prosecuting such remedy, Crownair shall notify Tenant of the amount necessary to restore the Security Deposit to the initial Security Deposit required herein. Such notice shall include copies of receipts, statements or other proof of the amount expended from the Security Deposit. Within 30 days after the date of such notice, Tenant shall pay to Crownair the amount specified in the notice.

6.06 Custody. No trust relationship is created herein between Crownair and Tenant with respect to the Security Deposit. The Security Deposit shall not bear interest. Crownair shall not be required to hold the Security Deposit in a separate account.

6.07 Transfer. If Crownair assigns, conveys or otherwise transfers its interest under this Agreement, Crownair shall either:

(a) transfer the balance of the Security Deposit after any lawful deductions, including without limitation those defined above, to its successor in interest, and promptly notify Tenant of: (1) such transfer; and (2) the name and address of the transferee, who shall have all of the same rights and obligations with respect to the Security Deposit as Crownair had while holding the Security Deposit; or

(b) return such balance to Tenant.

After Crownair either: (a) notifies Tenant of the transfer of the balance of the Security Deposit; or (b) returns the balance of the Security Deposit to Tenant, Crownair shall be relieved of any further liability with respect to the Security Deposit.

6.08 Return. Within 30 days after termination of this Agreement, Crownair shall return the balance of the Security Deposit to Tenant after any lawful deductions, including without limitation those defined above.

7. Use

7.01 Use. The Premises shall be used and occupied only for Tenant's office space and simulator and recurrent pilot training or as otherwise permitted under this Agreement, subject to applicable law and the terms and conditions of the Master Lease.

7.02 Condition of the Premises. Tenant hereby accepts the Premises in the condition existing at the Effective Date, subject to all applicable municipal, county and state laws zoning ordinances and regulations governing and regulating the use of the Premises. Tenant accepts this Agreement subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Tenant acknowledges that neither Crownair nor Crownair's agents have made any representations or warranties as to the suitability of the Premises for the conduct of Tenant's business.

7.03 No Sublease or Assignment. Tenant shall neither assign this Agreement or any interest therein nor sublet the leased Premises or any part thereof without Crownair's prior consent, which consent may be unreasonably withheld. Any attempted assignment or subletting without such consent shall be void, unenforceable and a material breach of this Agreement.

8. This Agreement Subject to Master Lease

8.01 Master Lease. Crownair is the lessee of the Premises by virtue of the Master Lease. This Agreement is and shall be at all times subject, junior and subordinate to the Master Lease.

8.02 Terms and Conditions. The terms, conditions and obligations of Tenant to Crownair under this Agreement shall include all terms and conditions of the Master Lease applicable to the Premises. All duties and obligations owed by Crownair to the City or other holder of the landlord's interest under the Master Lease (the "Landlord") shall also be owed by Tenant to Crownair under this Agreement.

8.03 Compliance with Master Lease. Tenant shall comply with each and every obligation of Crownair under the Master Lease applicable to the Premises for the benefit of Crownair and the Landlord, including without limitation any obligations arising after the Effective Date during the Lease Term.

9. Tenant's Indemnity Obligations

9.01 Indemnification. Tenant shall protect, defend, indemnify and hold Crownair and each of Crownair's agents or employees (each of which is generically referred to as an "Indemnitee") harmless from any or all liabilities, claims, demands and expenses of any nature, including without limitation, court costs and attorneys' fees, resulting directly or indirectly or wholly or in part from any active or passive act or omission in connection with: (a) Tenant's possession, occupancy, operation or maintenance of the Premises; (b) Tenant's breach of its obligations under this Agreement; or (c) any violation of state or federal law, including without limitation any laws regulating the storage, handling, transportation or disposal of hazardous substances. All obligations set forth in this Article 8 shall survive the Termination Date.

9.02 Notification. An Indemnitee shall notify Tenant within 30 days after discovery of any claim to which this section applies. Tenant at Tenant's sole cost and expense shall defend such Indemnitee against any such claim and shall engage counsel satisfactory to such Indemnitee to prosecute such Indemnitee's defense. Tenant may settle any such claim upon commercially reasonable terms and conditions with the prior consent of Crownair, which consent shall not be unreasonably withheld.

9.03 Failure to Defend. If Tenant fails or refuses to defend an Indemnitee or engage counsel satisfactory to such Indemnitee within 10 days after such Indemnitee's notice of any claim to which this section applies, such Indemnitee may:

(a) defend such claim and add the cost thereof to any amount due from Tenant;

(b) settle such claims on such terms and conditions as Indemnitee may determine in its sole and absolute discretion; and

(c) notwithstanding any limitation of remedies provided in this Agreement, seek and recover any actual or consequential damages incurred by Indemnitee, including without limitation any amount paid by Indemnitee to settle or compromise such claim and Indemnitee's costs of defense.

10. Default and Remedies

10.01 Material Breach. A material breach under this Agreement shall occur upon:

(a) the failure to pay when due any installment of Rent under this Agreement;

(b) the sufferance by Tenant of an Event of Insolvency;

(c) if Tenant is a corporation or any constituent person of Tenant is a corporation:

(1) the sale, assignment, alienation, conveyance, transfer or encumbrance of more than 10 percent, in the aggregate, of the outstanding voting shares of such corporation without Crownair's prior consent; or

(2) the dissolution of such corporation;

(d) the encumbrancing or placement of any lien on the Premises or any interest therein without Crownair's prior consent;

(e) the breach of any covenant, warranty or other obligation by any guarantor under any guarantee of the indebtedness under this Agreement;

(f) the misrepresentation or omission of a material fact to Crownair or the City by Tenant either orally or in any document submitted by or on behalf of Tenant to Crownair or the City to induce Crownair or the City to participate in this Agreement; or

(g) the breach of any covenant, warranty or other obligation under this Agreement.

10.02 Default. A Party shall be deemed in default under this Agreement if it has:

(a) materially breached any of its obligations, warranties or representations under this Agreement;

(b) been notified by the non-breaching Party of its breach and the specific provision under this Agreement where such obligation arises; and

(c) failed to cure such breach within:

(1) five days after such notice if such breach is curable solely by the payment of money; or

(2) 30 days after such notice if such breach is not curable solely by the payment of money.

10.03 Crownair's Remedies. If Tenant's is in default under this Agreement, Crownair may seek and obtain any remedy available at law or in equity, including without limitation:

(a) bring an action to collect rent and other charges hereunder which may be past due without terminating this Agreement;

(b) termination of this Agreement by notice to Tenant notwithstanding Crownair's reletting of the Premises or bringing an action to collect any rent or other charges; or

(c) seek and obtain Crownair's actual and consequential damages, including without limitation Crownair's attorneys' fees and costs incurred in the preparation and negotiation of this Agreement.

10.03.1 After Tenant's breach of or default under this Agreement, with or without notice or demand and without limiting Crownair in the exercise of any right or remedy which Crownair may have by reason of Tenant's breach of or default under this Agreement, Crownair may, in its sole and absolute discretion, continue this Agreement in full force and effect and:

(a) terminate this Agreement;

(b) re-enter the Premises and take possession thereof; and

(c) remove all persons therefrom.

Thereafter, Crownair may occupy or lease the whole Premises or any part thereof for and on account of Tenant upon such terms and conditions and for such rent as Crownair may determine in its sole and absolute discretion after which Crownair may collect rent which may thereafter become payable and apply the same toward any amounts due (or which thereafter become due) from Tenant, including without limitation any expenses of such subletting or other damages sustained by Crownair. Notwithstanding the foregoing, should any such rent be less than the Rent due from Tenant under this Agreement, Tenant shall immediately pay any such deficiency to Crownair.

10.03.2 If Crownair relets the Premises under the provisions of subsection 10.03.1 of this Agreement, Crownair may execute any such lease in either Crownair's or Tenant's name. In no event shall Tenant have any right to collect any rent from any such lessee.

10.03.3 The proceeds of any such reletting shall be applied:

(a) first, to the payment of the costs and expenses of reletting the Premises, including any alterations and repairs which Crownair in its sole and absolute discretion may deem necessary;

(b) second, to the payment of reasonable attorneys' fees incurred by Crownair in connection with the retaking of said Premises and such reletting; and

(c) thereafter, to the payment of any indebtedness other than rent due hereunder, including without limitation storage charges or brokerage commissions.

10.03.4 Crownair shall not be deemed to have terminated this Agreement, Tenant's right to possession of the leasehold, the liability of Tenant to pay rent or Tenant's liability for damages under any of the provisions hereof by: (a) service of notice pursuant to the unlawful detainer statutes of the State of California; (b) Tenant's surrender of possession pursuant to any such service of notice; or (c) reentry or other action in unlawful detainer unless Crownair shall have notified Tenant of its election to terminate this Agreement.

10.03.5 Nothing contained herein shall be construed as obligating Crownair to relet the whole or any part of the Premises. In the event of Crownair's entry or taking possession of the Premises, Crownair may, in its sole and absolute discretion, remove any personal property located at the Premises and store such personal property at the expense and risk of Tenant. If Tenant fails to pay the cost of storing such property after a period of 90 days, Crownair may sell any or all of such property at public or private sale, in such manner and at such times and places as Crownair, in its sole and absolute discretion may deem proper without notice to or demand upon Tenant for the payment of any part of such charges or the removal of any such property. Crownair shall apply the proceeds of such sale: (a) first, to the cost and expenses of such sale, including without limitation attorneys' fees and costs; (b) second, to the payment of the costs or charges for storing any such property; (c) third, to the payment of any other sums of money which may then or thereafter be due to Crownair from Tenant under any of the terms hereof; and (d) thereafter, the residue, if any, to Tenant.

10.03.6 After Tenant's default under this Agreement, Crownair may terminate Tenant's right to possess the Premises at any time; provided, however, no act by Crownair other than giving notice to Tenant shall terminate this Agreement. Acts of maintenance, efforts to relet the Premises or Crownair's petition to appoint a receiver to protect Crownair's interest under this Agreement shall not constitute a termination of Tenant's right to possession. Upon Tenant's default under this Agreement and after Crownair's notice of termination, Crownair may recover from Tenant:

(a) the worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination of this Agreement until the time of the award exceeds the amount of such lost Rent that Tenant proves could have been reasonably avoided;

(b) the worth at the time of the award of the amount by which the unpaid Rent for the balance of the Lease Term after the time of the award exceeds the amount of such Rent lost that Tenant proves could have been reasonably avoided; and

(c) any other amount, including court costs and attorneys' fees, necessary to compensate Crownair for all detriment proximately caused by Tenant's default or which in the ordinary course of things would be likely to result therefrom.

The "worth at the time of the award", as used in herein shall be computed with interest at the maximum rate permitted by law.

10.03.7 If Tenant is in default under this Agreement, Crownair may have a receiver appointed to manage Tenant's affairs. Neither the filing of a petition for the appointment of a receiver nor the appointment itself shall constitute an election by Crownair to terminate this Agreement.

10.04 Crownair's Cure. If Crownair at any time, by reason of Tenant's default, pays any sum or does any act that requires the payment of any sums, such sums paid by Crownair shall be immediately due and payable from Tenant to Crownair. If such sums are paid at a later date, such sums shall bear interest at the rate set forth herein from the date the sum is paid by Crownair until Crownair is reimbursed by Tenant. All sums paid by Crownair, together with interest thereon, shall be additional rent.

10.05 Tenant's Remedies. If Crownair is in default under this Agreement, Tenant as its sole and exclusive remedy may either:

(a) seek and obtain specific performance by Crownair of this Agreement;

(b) terminate this Agreement by notice to Crownair; or

(c) demand and receive Tenant's actual damages; provided, however, such damages do not exceed that aggregate rent actually paid to the date of Crownair's default under this Agreement.

Pursuant to California Civil Code Sections 1676, 1671(d) and 1677, each Party by affixing its signature below agrees such amounts shall constitute reasonable liquidated damages for a default by Crownair under the circumstances existing on the Effective Date. Upon Tenant receiving such liquidated damages, this Agreement shall terminate.

Tenant: ATE of California, Inc., dba American Flyers

a California corporation

BY: _____

Name: Donald D. Harrington

Its: Chairman of the Board

BY: _____

Name: Niels K. Mikkelsen

Its: President

Crownair:

AIR 88, INC.

a California corporation

BY: _____

Niels K. Mikkelsen
President

11. Interest on Past Due Obligations and Late Fees

11.01 Interest. Any and all amounts owed by Tenant to Crownair which are not paid when due shall bear interest from the due date of such amount at the lower of: (a) the maximum rate permitted by law; or (b) 12 percent per annum. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Agreement.

11.02 Late Fees. If Tenant fails to make any required payment of Rent under this Agreement when such payment becomes due and payable, a late charge of five percent (5%) of the overdue amount of such Rent may be charged by Crownair without written demand or notice of the failure to make the required payment.

12. Destruction

12.01 Crownair's Right to Terminate on Partial Destruction. If there is destruction to the Premises exceeding 25% of the then replacement value, Crownair may terminate this Agreement whether or not the Premises are destroyed.

12.02 Abatement or Reduction of Rent. In case of destruction there shall be an abatement or reduction of rent to the extent which the destruction interferes with Tenant's use of the Premises. Crownair shall determine in its sole and absolute discretion the amount of such abatement or reduction and its judgment shall be final.

12.03 Waiver of Civil Code Sections. Tenant waives the provisions of Civil Code Section 1932(2) and Civil Code Section 1933(4) with respect to any destruction of the Premises.

13. Condemnation

13.01 Total Taking. If the Premises are totally taken by condemnation, this Agreement shall terminate on the date of taking.

13.02 Partial Taking. If any portion of the Premises is taken by condemnation, this Agreement shall remain in effect, except that Tenant may elect to terminate this Agreement if the remaining portion of the Premises is rendered unsuitable for Tenant's continued use of the Premises.

13.02.1 If Tenant elects to terminate the Agreement, Tenant shall notify Crownair thereof within 30 days after the nature and extent of the condemnation have been finally determined. Such notice shall include a date of termination which is neither earlier than 30 days nor later than 90 days from date of the notice; except that this Agreement shall terminate on the date of taking if the date of taking occurs before the date of termination designated by Tenant.

13.02.2 If Tenant fails to terminate this Agreement within the 30-day period, this Agreement shall continue in full force and effect, except that monthly rent shall be reduced pursuant to Section 13.04.

13.03 Taking of Other Areas. If any other area of the Premises is taken by condemnation, this Agreement shall remain in full force and effect.

13.03.1 Notwithstanding the foregoing, if 75% or more of the parking area of the Premises or 75% or more of the common area or 75% of the Premises are located are taken by condemnation, either Party may elect to terminate this Agreement.

13.03.2 If either Party elects to terminate this Agreement, it shall notify the other Party within 30 days after the nature and the extent of the condemnation have been finally determined. Such notice shall include a date of termination which is neither earlier than 30 days nor later than 90 days from the date of notice; except that this Agreement shall terminate on the date of taking if the date of taking occurs before the date of termination designated in the notice from the terminating Party.

13.03.3 If this Agreement is not terminated within the 30-day period, it shall continue in full force and effect.

13.04 Effect on Rent. If any portion of the Premises is taken by condemnation and this Agreement remains in full force and effect, on the date of taking the monthly rent shall be reduced by multiplying the monthly rent by the quotient of the total number of square feet remaining in the Premises after the date of taking divided by the total number of square feet in the Premises immediately before the date of taking.

13.05 Waiver of CCP Section 1265.130. Each Party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either Party to petition the Superior Court to terminate this Agreement in the event of a partial taking of the Premises.

13.06 Crownair's Election To Prevent Agreement Termination. Notwithstanding any other provision of this Agreement, this Agreement shall continue in full force and effect without any reduction in monthly rent, except as otherwise provided in this Agreement, if Crownair: (a) notifies Tenant within 30 days after the date that the nature and extent of the condemnation are finally determined that Crownair at its cost will add on to the remaining Premises, parking area or common area so that the area and the approximate layout will be substantially the same after the date of taking as they were before the date of taking; and (b) commences the restoration immediately and completes the restoration within 180 days after Crownair notifies Tenant. Rent shall be abated or reduced during the period from the date of taking until the completion of restoration, but all other obligations of Tenant under this Agreement shall remain in full force and effect. The abatement or reduction of rent shall be based on the extent to which the restoration interferes with Tenant's use of the Premises.

13.07 Award. Except as otherwise provided in this Agreement the award shall belong to and be paid to Crownair.

13.08 Temporary Taking. The taking of the Premises or any part of the Premises by military or other public authority shall constitute a taking of the Premises by condemnation only when the use and occupancy by the taking authority has continued for longer than 180 consecutive days. During the 180 day period all provisions of this Agreement shall remain in full force and effect, except that rent shall be abated or reduced during such period of taking based on the extent to which the taking interferes with Tenant's use of the Premises and Crownair shall be entitled to whatever award may be paid for the use and occupation of the Premises for the period involved.

14. Miscellaneous

14.01 Attorneys' Fees. If any Party employs counsel to enforce or interpret this Agreement in any legal proceeding whatsoever, including without limitation insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and court costs (including without limitation the service of process, filing fees, court and court reporter costs, investigative fees, expert witness fees, and the cost of any bonds, whether taxable or not) in addition to any other remedy it may obtain or be awarded. Such reimbursement shall be included in any judgment or final order issued in the legal proceeding. The "prevailing Party" shall mean the Party determined by the court to most nearly prevail and not necessarily the Party in whose favor a judgment is rendered.

14.02 Interpretation. Wherever the context of this Agreement requires, all words used in the singular shall be construed to have been used in the plural, and vice versa, and the use of any gender specific pronoun shall include any other appropriate gender. The term "person" shall refer to any individual, corporation or legal entity having standing to bring an action in its own name under California law. The conjunctive "or" shall mean "and/or" unless otherwise required by the context in which the conjunctive "or" is used. This Agreement has been negotiated at arm's length and each Party has been represented by independent legal counsel in this transaction. Accordingly, any rule of law (including without limitation Section 1654 of the California Civil Code) or legal decision that would require interpretation of any ambiguities in this Agreement against the Party drafting it is not applicable and is hereby waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the Parties and this Agreement.

14.03 Assignment. Crownair may convey, assign, encumber or otherwise transfer its rights, duties and obligations under this Agreement with the prior consent of Tenant, which consent shall not be unreasonably withheld.

14.04 Successors. Except as provided to the contrary in this Agreement, this Agreement shall be binding on and inure to the benefit of the Parties and their successors and assigns.

14.05 Exhibits. All exhibits referred to in this Agreement are attached to this Agreement and incorporated herein by such reference.

14.06 Governing Law & Trial by Reference. This Agreement shall be construed and interpreted in accordance with the laws of the State of California. Any action brought to interpret or enforce this Agreement shall be tried by the reference procedures set forth in California Code of Civil Procedure Section 638 et seq. upon motion by either Party to the Superior Court for the County of San Diego, California. A single referee shall be appointed to try the matter and such referee shall be a retired judge of the California Superior Court, California Court of Appeals or California Supreme Court. Each Party may reject two judges appointed by the court and hereby waives the right to trial by jury. The referee shall be compensated at the rate per hour charged by senior attorneys in major San Diego County law firms, which rate is acknowledged to currently be $250.00 per hour. During the pendency of the referenced proceeding, each Party shall pay one-half of the cost thereof. Upon the conclusion of the referenced proceeding, the losing Party shall pay all remaining costs of the referenced proceeding and reimburse the prevailing Party for any costs of such referenced proceeding previously paid by the prevailing Party. Such reimbursement shall be included in any judgment or final order issued in the referenced proceeding.

14.07 Integrated Agreement, Modifications. This Agreement contains all the agreements of the Parties concerning the subject matter hereof and shall not be amended or modified except by a written instrument executed by the Parties.

14.08 Severability. The unenforceability, invalidity or illegality of any provision of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

14.09 Notices. Any notice, disclosure, demand, request, consent, approval, waiver, declaration or other communication that a Party desires or is required to give to another Party or any other person under this Agreement shall be in writing.

14.09.1 Any such communication may be served personally, transmitted by telecopier, delivered by a recognized national overnight express delivery service (e.g., Federal Express) or sent by prepaid, "return receipt requested", certified mail to the addresses set forth in the Term Schedule to this Agreement.

14.09.2 Any such communication shall be deemed effective upon personal delivery, confirmed receipt of telecopied notice, two days after delivery of the notice by a recognized national overnight delivery service (e.g., Federal Express) or three days after mailing.

14.09.3 Any Party may change its address by notice to the other Party.

14.10 Waivers. Any waiver by any Party shall be in writing and shall not be construed as a continuing waiver. No waiver will be implied from any delay or failure to take action on account of any default by any Party. Consent by any Party to any act or omission by another Party shall neither be construed as a consent to any subsequent act or omission nor waive any requirement for obtaining consent in any future or other instance.

14.11 Necessary Acts. Each Party agrees to perform or require its authorized representatives to perform such acts and execute such documents as may be necessary or appropriate from time to time to carry out the terms and conditions of this Agreement.

14.12 Time. Time is of the essence to the performance of each and every obligation under this Agreement.

14.13 Signs. Tenant may erect a sign or signs upon the Premises under this Agreement ONLY with Crownair's prior written consent, which consent may be unreasonably withheld. Tenant shall keep such signs in presentable condition and shall remove the same upon expiration or termination of this Agreement and repair any damage caused by such removal.

14.14 Insurance. Tenant at its sole cost and expense shall procure in such amounts as Crownair may reasonably designate and in accordance with the Master Lease (which in no event shall be in amounts less than combined single-limit coverage equal to $1,000,000), and at all times provide, maintain and keep in force:

(a) casualty insurance:

(1) insuring against loss or damage to the Premises and any personal property therein;

(2) insuring against such other risks or hazards as Crownair from time to time may designate; and

(3) written with a so-called "stipulated amount endorsement" or its equivalent attached to prevent any named insured from becoming a co-insurer;

(b) comprehensive public liability insurance; and

(c) such insurance policies and coverages as may be set forth in the Master Lease or required by notice from Crownair.

All policies of insurance required under this Agreement shall provide that each Party and its employees and agents are named insureds and contain a loss payable endorsement for the benefit of Crownair and Landlord.

14.15 Permits & Approvals. Tenant shall comply with all laws and obtain all necessary permits or approvals concerning the Premises or Tenant's use of the Premises, including without limitation, the obligation at Tenant's cost to alter, maintain or restore the Premises in compliance and conformity with all laws relating to the condition, use or occupancy of the Premises during the term.

14.16 Surrender of Premises. On or before the Termination Date, Tenant shall: (a) surrender to Crownair the Premises and all Tenant's improvements and alterations in good condition (except for ordinary wear and tear occurring after the last necessary maintenance made by Tenant) except for alterations that Tenant has the right to remove as may be agreed upon by the Parties or is obligated to remove under the Master Lease; (b) remove all its personal property; and (c) perform all restoration made necessary by the removal of any alterations or Tenant's personal property.

14.17 Common Area Maintenance. Tenant shall maintain the common areas in good condition at all times. Crownair shall have the right to: (a) establish and enforce reasonable rules and regulations applicable to Tenant concerning the maintenance, management, use and operation of the common areas; (b) close any of the common areas to whatever extent required in the opinion of Crownair's counsel to prevent a dedication of any of the common areas or the accrual of any rights of any person or of the public to the common areas; (c) close temporarily any of the common areas for maintenance purposes; (d) designate other property outside the boundaries of the Premises to become part of the common areas; (e) select a person to maintain and operate any of the common areas if at any time Crownair determines that the best interests of the Premises will be served by having any of the common areas maintained and operated by that person; and (f) make changes to the common areas including, without limitation, changes in the location of driveways, entrances, exits or the direction of the flow of traffic.

14.18 Taxes. Tenant shall pay before delinquency all personal property and sales or use taxes and Tenant's proportionate share of all real property taxes which Crownair is obligated to pay under the Master Lease, if any, over and above those real property taxes levied and assessed for the base year 1987-1988. On demand by Crownair, Tenant shall furnish Landlord with satisfactory evidence of such payment.

14.18.1 Tenant's proportionate share of real property taxes shall be determined by the ratio that the total number of square feet in the Premises bears to the total number of square feet leased to Crownair under the Master Lease.

14.18.2 Each year Crownair shall notify Tenant of Crownair's calculation of Tenant's proportionate share of the real property taxes and together with such notice shall furnish Tenant with a copy of the tax bill, including the tax bill for the base year. Tenant shall reimburse Crownair for Tenant's proportionate share of the real property taxes semi-annually not later than ten days before the taxing authority's delinquency date or ten days after receipt of the tax bill, whichever is later.

14.18.3 Tenant shall be liable for increases in real property taxes (whether the increases result from an increased rate or valuation) attributable to additional improvements to the Premises after the base tax year, but only if and to the extent such additional improvements benefit Tenant or the Premises as determined by Crownair. If and to the extent such additional improvements do not benefit Tenant or the Premises, the increase in real property taxes attributable thereto shall be added to the base year real property taxes for the purpose of computing Tenant's liability for future increases in real property tax.

14.18.4 If any general or special assessment is levied and assessed against Crownair, Crownair may elect to either pay the assessment in full or allow the assessment to go to bond. If Crownair pays the assessment in full, Tenant shall pay to Crownair each time a payment of real property taxes is made a sum equal to that which would have been payable (as both principal and interest) had Crownair allowed the assessment to go to bond.

14.18.5 Tenant's liability to pay real property taxes shall be prorated on the basis of a 360-day year to account for any fractional portion of a fiscal tax year included in the term at its commencement and expiration.

14.18.6 Except as otherwise provided in this Lease, Tenant shall not be required to pay any municipal, county, state or federal income or franchise taxes of Crownair or any municipal, county, state or federal estate, succession, inheritance or transfer taxes of Crownair. Tenant shall pay prior to delinquency any government agency levy or assessment against Crownair which constitutes a tax, fee or excise as a direct substitution in whole or in part for or in addition to any real property taxes, including without limitation a so-called value added tax, on: (a) Rents; (b) the square footage of the Premises; (c) the act of entering into this Lease; or (d) on the occupancy of Tenant. Tenant's share of any such tax, fee or excise, shall be substantially the same as Tenant's proportionate share of increases in real property taxes provided in this Agreement.

14.19 Negative Covenants. Tenant shall not:

(a) engage in or perform any activity which causes an increase in Crownair's insurance rates or any insurance covering the Premises;

(b) engage in or perform any activity which inhibits in any manner the use and enjoyment of adjacent spaces or any other part of the Montgomery Field Airport;

(c) perform or fail to perform any act in violation of any rules prescribed by Crownair and made known to Tenant or any applicable laws, rules, regulations, zoning, building or fire codes or ordinances, environmental laws or other provisions relating to the use, occupancy or configuration of the Premises or of any agency or authority having jurisdiction over such activity, including without limitation the rules and regulations of the City of San Diego or the Montgomery Field Airport;

(d) use, generate, manufacture, treat, store, handle, dispose, transfer, produce or process any Hazardous Materials in the Premises, on the Premises or within 2,000 feet thereof;

(j) expose the Premises or any area within 2,000 feet thereof to any: (1) asbestos-containing materials; (2) electrical transformers, fluorescent light fixtures with ballasts or other equipment containing polychlorinated biphenyls (i.e. PCBs); or (3) storage tanks for gasoline or any other substance, whether or not such tanks are on or under the surface of the land;

(k) arrange by contract, agreement or otherwise for the generation, manufacture, refinement, handling, transfer, production, processing, disposal, storage, treatment or transportation of any Hazardous Materials in, upon, over, across or with respect to the Premises or any property within 2,000 feet thereof; and

(l) permit the occurrence of any event or condition of any character that might reasonably have a material adverse effect on the fair market value, ownership, operation, maintenance or financial prospects of the Premises or the Montgomery Field Airport.

14.20 Additional Personal Covenants. Tenant covenants, represents and warrants that Tenant shall:

(a) be the operator of the Premises within the meaning of and for the purposes of 42 U.S.C. Section 9601(20)(a);

(b) immediately notify Crownair and the City of San Diego of the occurrence of any event which has a material adverse effect on the fair market value, ownership, operation, maintenance or financial prospects of the Premises or the Montgomery Field Airport, including without limitation discovery that: (1) Hazardous Materials were, are or will be present in, on or over the Premises or the Montgomery Field Airport or other property within 2,000 feet thereof; (2) the Premises do not comply with any laws or regulations applicable to it; or (3) any covenant, warranty or representation under this Agreement has been materially breached; and

(c) comply at all times during the Lease Term with any rules prescribed by Crownair and made known to Tenant or any applicable laws, rules, regulations, zoning, building or fire codes or ordinances, environmental laws or other provisions relating to the use, occupancy or configuration of the Premises or of any agency or authority having jurisdiction over such activity, including without limitation the rules and regulations of the City of San Diego or the Montgomery Field Airport.

14.21 Bad Faith Waste. The occurrence of any act, omission or event which results in a breach of the covenants, warranties and representations contained in Sections 14.20 or 14.21 shall constitute bad faith waste of the Premises.

14.22 Organization. Each Signatory executing this Agreement on behalf of a Party which is not a natural person warrants and represents that such Party:

(a) is properly and validly organized, existing in compliance with the laws of the jurisdiction of its organization;

(b) has the requisite power and authority to carry out its obligations under this Agreement as contemplated under this Agreement;

(c) is qualified to do business in every jurisdiction as required by the nature of its operations;

(d) is in compliance with all laws, regulations, ordinances and orders of public authority; and

(e) is in compliance with all provisions of its Governing Instruments.

14.23 Binding Obligations. Each Signatory executing this Agreement on behalf of a Party which is not a natural person warrants and represents that this Agreement when executed and delivered shall constitute the legal, valid and binding obligation of such Party according to the terms of this Agreement. The execution, delivery and performance of this Agreement by such Signatory:

(a) are within the power of such Signatory and the Party for which it is acting;

(b) have been duly authorized by all action required under such Party's Governing Instruments;

(c) have received all necessary governmental approvals;

(d) do not violate any provision of law, any order of any government agency, such Party's Governing Instruments or Other Contracts;

(e) will not be in conflict with, result in a breach of or constitute (with due notice or lapse of time) a default under any Other Contract; and

(f) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon such Party or the performance of the Marketing Services or any License use except as contemplated in this Agreement.

14.24 Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date.

Tenant:

ATE of California, Inc., dba American Flyers

a California corporation

BY: _____

Name: Donald D. Harrington

Its: Chairman of the Board

BY: _____

Name: _____

Its: _____

Crownair:

AIR 88, INC.

a California corporation

BY: _____

Niels K. Mikkelsen
President

SUBLEASE AGREEMENT

EXHIBIT A

Definitions

"Additional Rent" shall mean two and one-half percent (2.5%) of Tenant's Gross Revenues payable in accordance with the Master Lease.

"Agreement" shall mean this SUBLEASE AGREEMENT, its attachments, exhibits and documents incorporated by reference herein, or any modifications or amendments thereof agreed to in writing by the Parties.

"Annual Base Rent shall have the meaning set forth in the Term Schedule and in Section 5.01 of this Agreement.

"Crownair" shall mean AIR 88, INC., a California corporation and its successors and assigns.

"Crownair Offices" shall mean those certain improvements to the real property located at 3753 John J. Montgomery Drive in the City of San Diego, County of San Diego, State of California and more particularly set forth and depicted in the diagram attached hereto as Exhibit B.

"Beginning Index" shall mean the Index which was published for the month immediately preceding the date of the commencement of the term of the Master Lease.

"Commencement Date" shall mean the date first set forth in the Term Schedule to this Agreement.

"Effective Date" shall mean the date first set forth above in the Term Schedule to this Agreement.

"Event of Insolvency" shall mean when a person:

(a) seeks or submits to a decree or order, or a court shall have made or entered any decree or order with respect to such person (or a petition or pleading shall have been filed in connection therewith), which:

(1) grants, constitutes, or seeks an order for relief, appointment of a trustee or confirmation of a reorganization plan under the bankruptcy laws of the United States;

(2) approves as properly filed or seeks such approval of a petition seeking liquidation or reorganization under such bankruptcy laws or any other insolvency, bankruptcy or other debtor's relief law or statute of the United States or any state thereof; or

(3) otherwise directs or seeks the winding up or liquidation of the business affairs of such person and such petition, decree or order shall have continued in effect for an aggregate of 30 or more days (whether or not consecutive) from the first day of entry thereof;

(b) otherwise avails itself of any insolvency or other law for the protection of debtors;

(c) makes an assignment for the benefit of creditors;

(d) has all or a substantial part of its assets attached, seized, subjected to a writ or distress warrant, levied upon or subjected to a custodian or receivership;

(e) shall admit in writing its inability to pay its debts generally as they become due; or

(f) is for any reason enjoined, restrained or in any way prevented from the conduct of all or a substantial part of its business affairs.

"Extension Index" shall mean the Index published nearest the date of any rent adjustment provided herein.

"Governing Instruments" shall mean all documents which govern a Party's organization, legal existence or the relationship between its ultimate beneficial owners, including without limitation any partnership agreement, articles of incorporation, by-laws, duly adopted resolutions, shareholder agreements or buy-sell agreements.

"Gross Revenues" shall mean all income regardless of source, derived by Tenant prior to deduction of any volume or other term discounts therefrom, including without limitation:

(a) the disposition of any and all merchandise or services that are sold, leased, licensed or delivered, whether for cash or on credit (whether collected or not); and

(b) any transaction on an installment basis or otherwise involving the extension of credit which shall be treated as "Gross Revenue" at the time of the transaction, irrespective of the time of payment or when title passes.

Gross Revenues shall not include, or if included there shall be deducted (but only to the extent they have been included), the following:

(a) the selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on such merchandise;

(b) sums and credits received in the settlement of claims for loss of or damage to merchandise;

(c) the price allowed on all merchandise traded in by customers for credit or the amount of credit for discounts and allowances made instead of acceptance of merchandise; and

(d) sales and use taxes, so-called luxury taxes, consumers' excise taxes, gross receipts taxes and other similar taxes now or in the future imposed on the sale of merchandise or services, but only if such taxes are added to the selling price, separately stated, collected separately from the selling price of merchandise or services and collected from customers.

"Hazardous Material" shall mean collectively any: (a) "hazardous waste" as defined by the Resource Conservation and Recovery act of 1976, as amended from time to time, and regulations promulgated thereunder; (b) "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (c) "oil, petroleum products, and their by-products" as defined by applicable state and federal law, as amended from time to time; (d) "hazardous substance" as defined by applicable state and federal law, as amended from time to time, and regulations promulgated thereunder, including without limitation, as defined in 42 U.S.C. 9601(14) and including the definition of "solid waste" and "hazardous waste" as those terms are defined in 40 C.F.R. Sections 261.1, et seq.; (e) any materials which, under federal, state or local law, statute, ordinance or regulations or court or administrative order or decree or private agreement, require special handling in collection, storage, treatment or disposal; (f) any substance, waste or material which has been determined either before, at or after the Loan Closing by any state, federal or local government authority to be capable of posing a risk of injury to health, safety or property, including without limitation all substances, wastes and materials designated or defined as hazardous, extremely hazardous or toxic pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1321, Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6903, Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, Section 25140 of the Hazardous Waste Control Law, Cal. Health & Safety Code Section 25117 and Section 25140, Section 25316 of the Carpenter-Presley-Tanner Hazardous Substance Account Act, Cal. Health & Safety Code Section 25316, Section 25501 of the Hazardous Materials Release Response Plans and Inventory Law, Cal. Health & Safety Code Section 25501, or Section 25281 of the California law regarding underground storage of hazardous substances, Cal. Health & Safety Code Section 25281; and (g) asbestos, asbestos-containing materials or products.

"Initial Term" shall mean the period commencing on the Commencement Date and ending on the fifth anniversary thereof.

"Indemnitee" shall mean any person benefited by Tenant's indemnification obligation under this Agreement.

"Index" shall mean the "Consumer Price Index-All Items for the Los Angeles-Long Beach Area, 1967 Base Constituting 100", published by the United States department of Labor, Bureau of Labor Statistics.

"Lease Term" shall mean the period commencing on the Commencement Date and ending on the Termination Date as the same may be extended under this Agreement.

"Master Lease" shall mean that certain lease for the improved real property located at 3753 John J. Montgomery Drive in the City of San Diego, County of San Diego, State of California dated January 26, 1989 executed by and between the City of San Diego as lessor and Crownair, as tenant.

"Other Contracts" shall mean any indenture, agreement or other instrument to which a Party or any of its Affiliates is a party or by which such Party or its Affiliates may be bound.

"Party" or "Parties" shall mean either Crownair, Tenant or both as the context requires.

"Premises" shall mean that certain improved real property more particularly described in the Term Schedule and depicted on Exhibit B, hereto.

"Rent" shall mean Base Annual Rent plus Additional Rent.

"Security Deposit" shall mean the initial sum set forth in the Term Schedule of this Agreement to be held by Crownair as a security deposit for the faithful performance by Tenant of all of his duties and obligations hereunder.

"Signatory" shall mean a natural person duly authorized to execute this Agreement and other required documents on behalf of an entity that is not a natural person.

"Tenant" shall mean those persons set forth in the Term Schedule to this Agreement and any successors in interest permitted under this Agreement.

"Termination Date" shall mean the earlier to occur of:

(a) the fifth anniversary of the Termination Date unless otherwise extended pursuant to this Agreement;

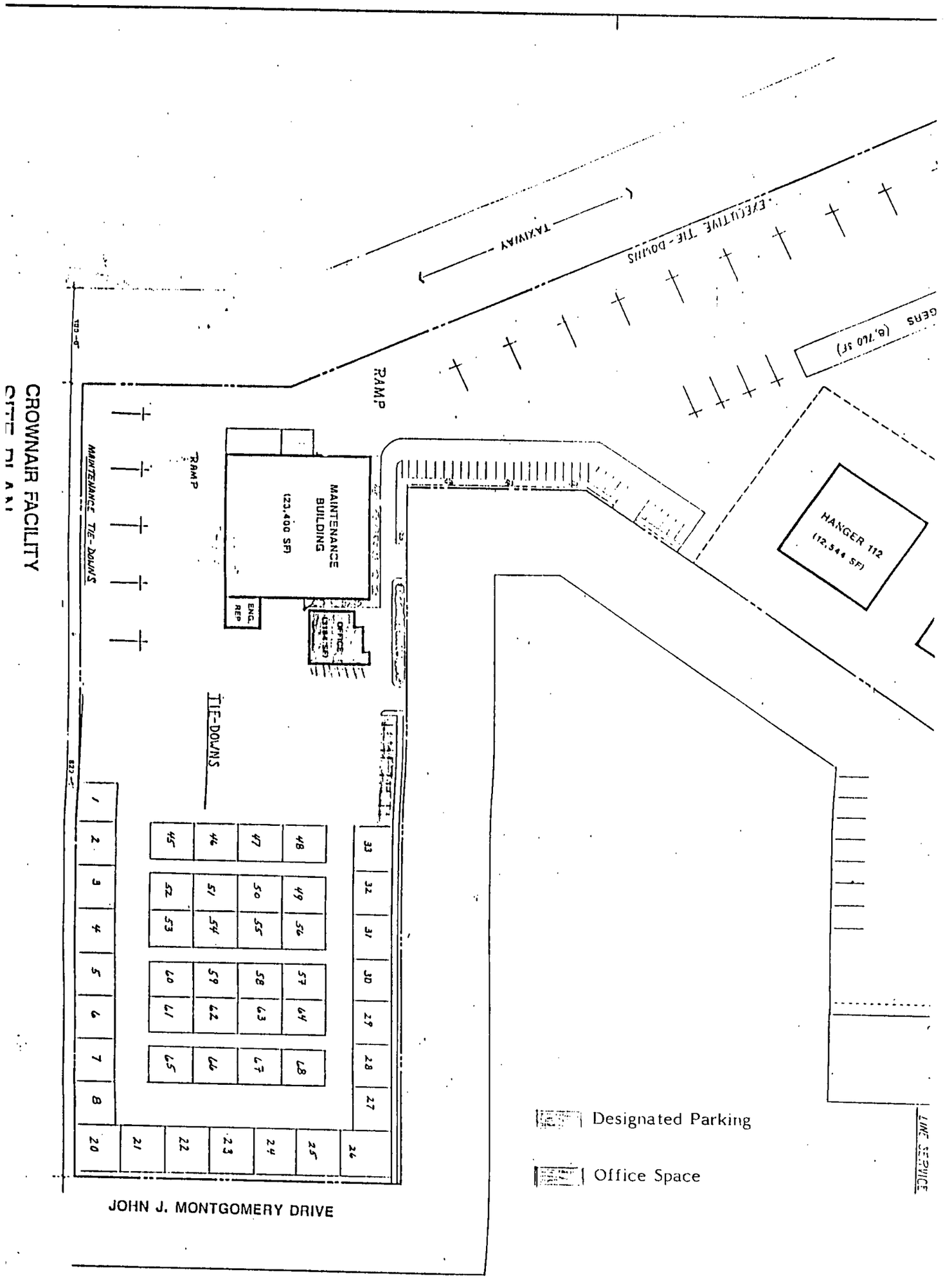
(b) earlier termination pursuant to the terms of the Sublease Agreement; or

(c) the date of termination, for any reason whatsoever, of the Master Lease.

SUBLEASE AGREEMENT

EXHIBIT B

Diagram of Premises



1499r84h-01/062289/1

SUBLEASE AGREEMENT

EXHIBIT C

Master Lease

Filed in the Office of the City Clerk of San Diego, California as Document No. RR-272626 on January 9, 1989.

Addendum No. 1

to

Sublease Agreement Dated October 1, 1989

MINIMUM STANDARD SUBLEASE CONDITIONS

(Required in all subleases prior to City Manager approval)

ASSIGNMENT AND SUBLEASING: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City." An assignment by operation of law shall automatically terminate this lease.

HOLD HARMLESS: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

INSURANCE: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior wirtten notice to City by the insurance company.

LEGAL PROCEEDINGS: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

SUBORDINATION: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated 1/9/89 _____, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

Niels K. Mikkelsen

Donald D. Harrington

FIRST AMENDMENT TO SUBLEASE

This First Amendment to Sublease ("Amendment") is made and effective as of this first day of March, 1997 between AIR 88, INC., a California corporation ("Sublessor"), and MICHAEL C. BORDEN ("Sublessee"), and is entered into with reference to the following facts:

A. Sublessor and Sublessee are parties to that certain Sublease dated June 19, 1995 (the "Sublease").

B. The parties desire to amend the Sublease as set forth in this Amendment.

NOW, THEREFORE, the parties agree as follows:

1. Section 6(c) of the Sublease is hereby amended to read in its entirety as follows:

> "(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on or about said premises, shall be p0aid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #1 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice."

2. The forgoing modification of Section 6(c) shall take effect for perperty taxes on Unit #1 accruing on or after June 19, 1995.

3. Section 9 of the Sublease is hereby amended by adding the following to the end of the current Section 9:

> "Sublessee shall be entitled to a non-exclusive right to provide mobile aircraft cleaning services on Sublessor's Leasehold. Sublessee shall comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises and Sublessor's Leasehold, and shall faithfully observe in the use of the premises and Sublessor's Leasehold all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In additio, the Sublessee shall observe high moral and ethical standards in the use of the premises and Sublessor's Leasehold and shall not contuct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees."

4. Except as set forth above, the Sublease shall remain unmodified and in full force and effect.

SUBLESSOR

AIR 88, INC.,
A California corporation

By: _____
Giorgio Cagliero
President

SUBLESSEE

_____ 4-3-97
Michael C. Borden

CONSENT TO FIRST AMENDMENT OF SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to a First Amendment to Sublease (RR-282626-4) executed between the LESSEE (SUBLESSOR) and MICHAEL C. BORDEN (SUBLESSEE), on April 3, 1997, attached hereto.

Said Consent to First Amendment of Sublease shall be subordinate to the Master Lease in all respects, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the First Amendment of Sublease. The CITY is not bound by any term or condition in the Consent to First Amendment of Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

1. Sublessee will confine its business to the premises authorized by the sublease agreement. Sublessee will not enter other leaseholds on the airport to perform its services or solicit business without receiving prior written authorization from the lessee's leasing those leaseholds.

2. Lessee will be liable for percentage rents on income it earns on premises leased on percentage rent leases.

3. Sublessee will not dispose of water or other materials used in its business into the storm drains or sewer systems. Sublessee will confine any residual water/cleaning materials to the asphalt surface, thus allowing it to air dry.

4. Surface oil and dirt must be dry wiped from all aircraft before washing them.

5. Sublessee will be financially responsible for any remediation costs or fines resulting from any contamination or damage caused either directly or indirectly from its business.

6. Sublessee will fully comply with all laws and ordinances governing its business activities and it will obtain any licenses or permits required for its business activities before commencing those activities.

DOCUMENT NO. 00-18298-9
FILED MAY 13 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

THE CITY OF SAN DIEGO

Date: 5-8-97

By: _____
Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 5-8-97

By: _____
Deputy City Attorney

amendbor.sub

HANGAR #1

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, doing business as Crownair (LESSEE) and filed in the Office of the City Clerk as Document RR-272626 hereby consents to that certain Sublease Agreement between the a LESSEE (SUBLESSOR) and Michael C. Borden (SUBLESSEE), executed on June 19, 1995 and attached hereto. Said Sublease shall suborinate to the Master Lease in all respects.

The CITY is merely approving the Sublease, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

In the event the lease agreement is terminated CITY shall allow SUBLESSEE to attorn to CITY as further described in Paragraph 2. Term (c) of the Sublease.

In addition, this Consent is subject to the following conditions: NONE.

THE CITY OF SAN DIEGO

Dated: 8/9/95

By: _____
Airports Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 8/11/95

By: _____
Chief Deputy City Attorney

DOCUMENT NO RR-282626-4

FILED AUG 25 1995
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: sub.bdn

ORIGINAL

CONSENT TO SUB-SUBLEASE AGREEMENT

The City of San Diego (CITY), executed a Lease Agreement (Master Lease) with AIR 88, INC., and CITY subsequently approved a Sublease Agreement to Master Lease executed between AIR 88, INC., and MICHAEL C. BORDEN, on June 19, 1995, for Hangar Space #1, filed in the Office of the City Clerk, as Documents 00-18298 and RR-282626-4 respectively.

On April 1, 1997, MICHAEL C. BORDEN and SHIER AVIATION CORPORATION, a California Corporation, dba CORPORATE HELICOPTERS OF SAN DIEGO AND HAWKINS PRODUCTIONS, executed a Sub-Sublease Agreement to Master Lease for office space in Hangar #1, as shown on Exhibit C, of the Sub-Sublease Agreement attached hereto.

The CITY is merely approving the attached Sub-Sublease, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provision in the Sub-Sublease, which in any way conflicts with or is additional to the provisions of the Master Lease.

THE CITY OF SAN DIEGO

Date: September 29, 1997

By: Tracy B. Williams
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: October 3, 1997

By:
Deputy City Attorney

(a:shierbord.sub)

00-18298 -12

DOCUMENT NO.

FILED OCT 09 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Azure Holdings, LLC,** herein called "Sublessee", the land for a hangar and office measuring sixty feet by ninety five feet (60' x 95'), the construction of which was done only as approved, permitted and certified by the City of San Diego, herein called "City", on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 10.1 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B. This Sublease relates specifically to the area shown as **Hangar # 1**.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased an aircraft hangar (Hangar # 1) on the Premises. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease (as evidenced by a "Consent to Sublease Agreement").

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on the date of **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease, subject to approval by the City, will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

   (b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

   (c) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease.

Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat rate of **Five Hundred and Seventy Dollars ($570) per month.** Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") based on increases in the Consumer Price Index as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Riverside-Orange County Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the CPI increases mentioned above the rent is subject to fair market value increases mirroring any such adjustment applied by the City to the Master Lease.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days' verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Construction. Sublessee understands that, on occasion, construction and/or maintenance work will be performed on the Premises. Should normal access routes be affected by said work Sublessee understands and agrees to move and/or stage the aircraft as necessary to enable safe use. Sublessor agrees to attempt to minimize any inconvenience of this nature.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and City and authorized to conduct insurance business in the State of California:

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), COMBINED SINGLE LIMIT LIABILITY, with a minimum of $100,000 per passenger, covering the subleased premises and all aircraft stored on the premises. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premises or operation of aircraft stored on the premises.

b. Fire, Extended Coverage and Vandalism insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements (100% replacement cost) and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

c. The Sublessor and/or City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the Sublessor's and City's interests and to reflect any changes in SUBLESSEE'S approved uses.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and City a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor and City not less than thirty (30) days prior to the effective date of such cancellation or change. Sublessee shall be named as insured and the Sublessor and "THE CITY OF SAN DIEGO" shall be named

as an "additional insured" in the insurance policies described in Sections 12(a) and 12(b) above. Notices shall be addressed to City at: **City of San Diego Airports Division, Real Estate Assets 3750 John J. Montgomery Drive, San Diego, CA 92123 (fax 858-279-0536).**

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands that **Hangar # 1** and its trade-fixtures will become the **property of the City at the expiration of the Master Lease** and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, **Sublessor shall have the right of first refusal to meet any bonafide offers of sale** on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said Hangar # 1 and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Azure Holdings, LLC 3753 John J. Montgomery Drive, San Diego, CA 92123**. Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Kevin O'Donnell
Crownair Aviation

Deann Shier
Azure Holdings, LLC.

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

25. Mortgage or Deed of Trust. Sublessee may place a mortgage or deed of trust on any improvements owned by Sublessee located on the premises and on Sublessee's leasehold interest in the premises, subject to (1) the terms of such mortgage or deed of trust being commercially reasonable, including providing for commercially reasonable rights of the lender to notice and opportunity to cure any default by Sublessee and foreclosure rights, and (2) the consent of the City, and (3) such mortgage or deed of trust shall not encumber Sublessor's leasehold interest or the City's interest in the Premises.

26. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

27. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

28. Time of Essence. Time is expressly declared to be of the essence of this sublease.

29. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **17th day of May, 2004.**

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Kevin O'Donnell – Chief Operating Officer

Sublessee:

_____
Deann Shier
Azure Holdings, LLC

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "C") with the legal address of:

3753 John J. Montgomery Drive, Hangar # 1
San Diego, CA 92123

EXHIBIT "B"

MASTER PLOT PLAN

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN

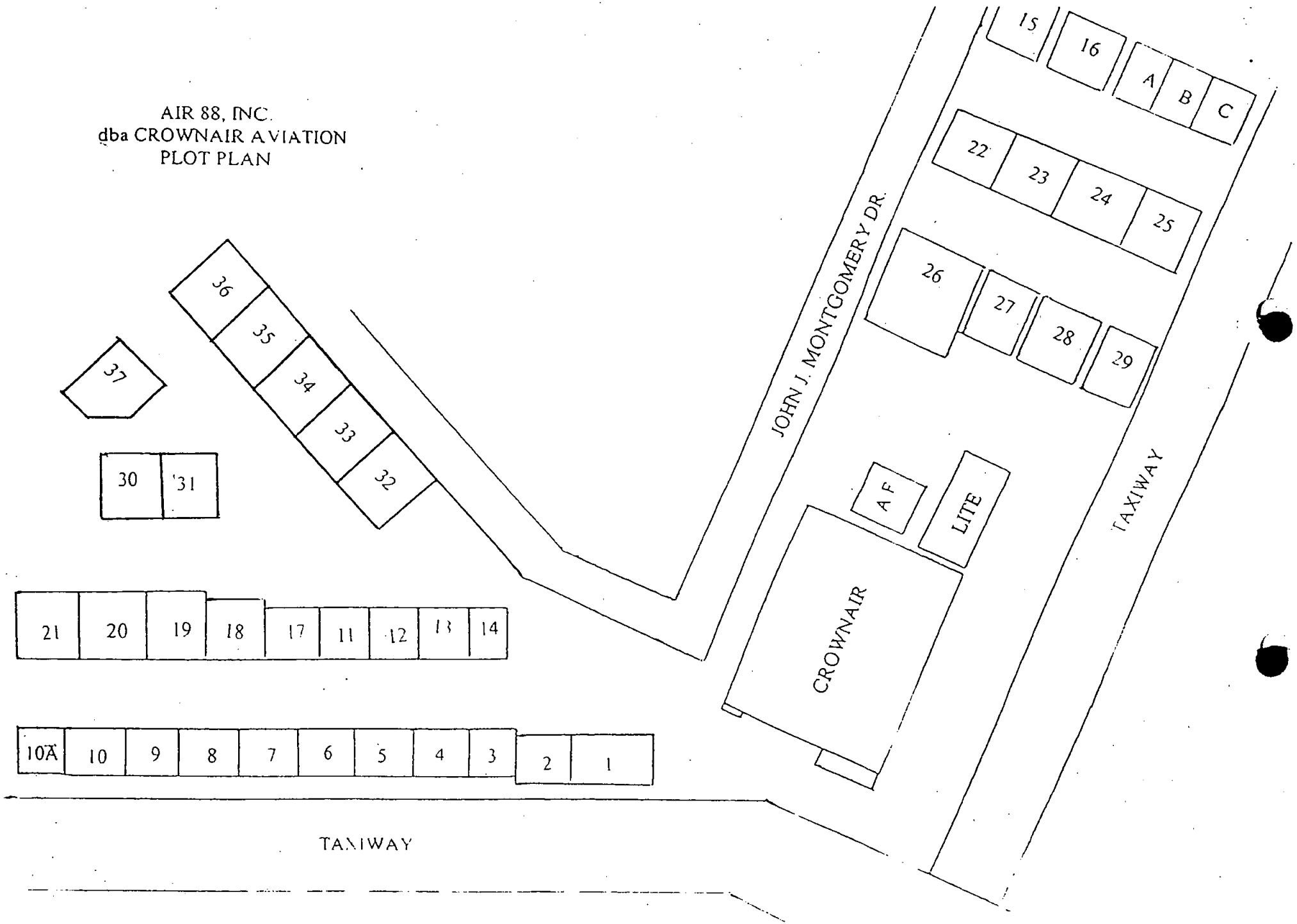


EXHIBIT "C"

MASTER LEASE

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Azure Holdings, LLC.,** herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, herein called "City", on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 10.1 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B. This Sublease relates specifically to the area shown as **Hangar # 2.**

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased an aircraft hangar (Hangar # 2) on the Premises. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease (as evidenced by a "Consent to Sublease Agreement").

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on the date of **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease, subject to approval by the City, will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

   (b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

   (c) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease.

Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat rate of **Three Hundred and Sixty Dollars ($360) per month.** Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") based on increases in the Consumer Price Index as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Riverside-Orange County Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the CPI increases mentioned above the rent is subject to fair market value increases mirroring any such adjustment applied by the City to the Master Lease.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide a trash bin for the disposal of a limited quantity of non hazardous waste; however, in the event of lease termination and attornment, the City shall not be required to provide a trash bin. In any event, the removal of excessive (as determined by Sublessor) and/or hazardous waste from Hangar # 2 shall be the responsibility of Sublessee. Any utilities to be paid by sublessee shall have an agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All Real Property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessee. Should the governmental entity bill Sublessor then Sublessor will pay the bill on behalf of the Sublessee, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Hangar # 2 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees, filing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum legal rate.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage. Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft so as to be a competitor of Sublessor without prior written approval from Sublessor. Sublessee understands and agrees that the Taxi-lanes and Taxiways must be kept clear at all times.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors

shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days' verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Construction. Sublessee understands that, on occasion, construction and/or maintenance work will be performed on the Premises. Should normal access routes be affected by said work Sublessee understands and agrees to move and/or stage the aircraft as necessary to enable safe use. Sublessor agrees to attempt to minimize any inconvenience of this nature.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and City and authorized to conduct insurance business in the State of California:

    a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), COMBINED SINGLE LIMIT LIABILITY, with a minimum of $100,000 per passenger, covering the subleased premises and all aircraft stored on the premises. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premises or operation of aircraft stored on the premises.

    b. Fire, Extended Coverage and Vandalism insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements (100% replacement cost) and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

    c. The Sublessor and/or City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the Sublessor's and City's interests and to reflect any changes in SUBLESSEE'S approved uses.

    Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and City a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor and City not less than thirty (30) days prior to the effective date of such cancellation or change. Sublessee shall be named as insured and the Sublessor and "THE CITY OF SAN DIEGO" shall be named

as an "additional insured" in the insurance policies described in Sections 12(a) and 12(b) above. Notices shall be addressed to City at: **City of San Diego Airports Division, Real Estate Assets 3750 John J. Montgomery Drive, San Diego, CA 92123 (fax 858-279-0536).**

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands that **Hangar # 2** and its trade-fixtures will become the **property of the City at the expiration of the Master Lease** and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, **Sublessor shall have the right of first refusal to meet any bonafide offers of sale** on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said Hangar # 2 and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Azure Holdings, LLC. 3753 John J. Montgomery Drive, San Diego, CA 92123**. Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Kevin O'Donnell
Crownair Aviation

Deann Shier
Azure Holdings, LLC.

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

25. Mortgage or Deed of Trust. Sublessee may place a mortgage or deed of trust on any improvements owned by Sublessee located on the premises and on Sublessee's leasehold interest in the premises, subject to (1) the terms of such mortgage or deed of trust being commercially reasonable, including providing for commercially reasonable rights of the lender to notice and opportunity to cure any default by Sublessee and foreclosure rights, and (2) the consent of the City, and (3) such mortgage or deed of trust shall not encumber Sublessor's leasehold interest or the City's interest in the Premises.

26. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

27. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

28. Time of Essence. Time is expressly declared to be of the essence of this sublease.

29. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **17th day of May, 2004**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Kevin O'Donnell – Chief Operating Officer

Sublessee:

_____
Deann Shier
Azure Holdings, LLC.

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "C") with the legal address of:

3753 John J. Montgomery Drive, Hangar # 2
San Diego, CA 92123

EXHIBIT "B"

MASTER PLOT PLAN

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN

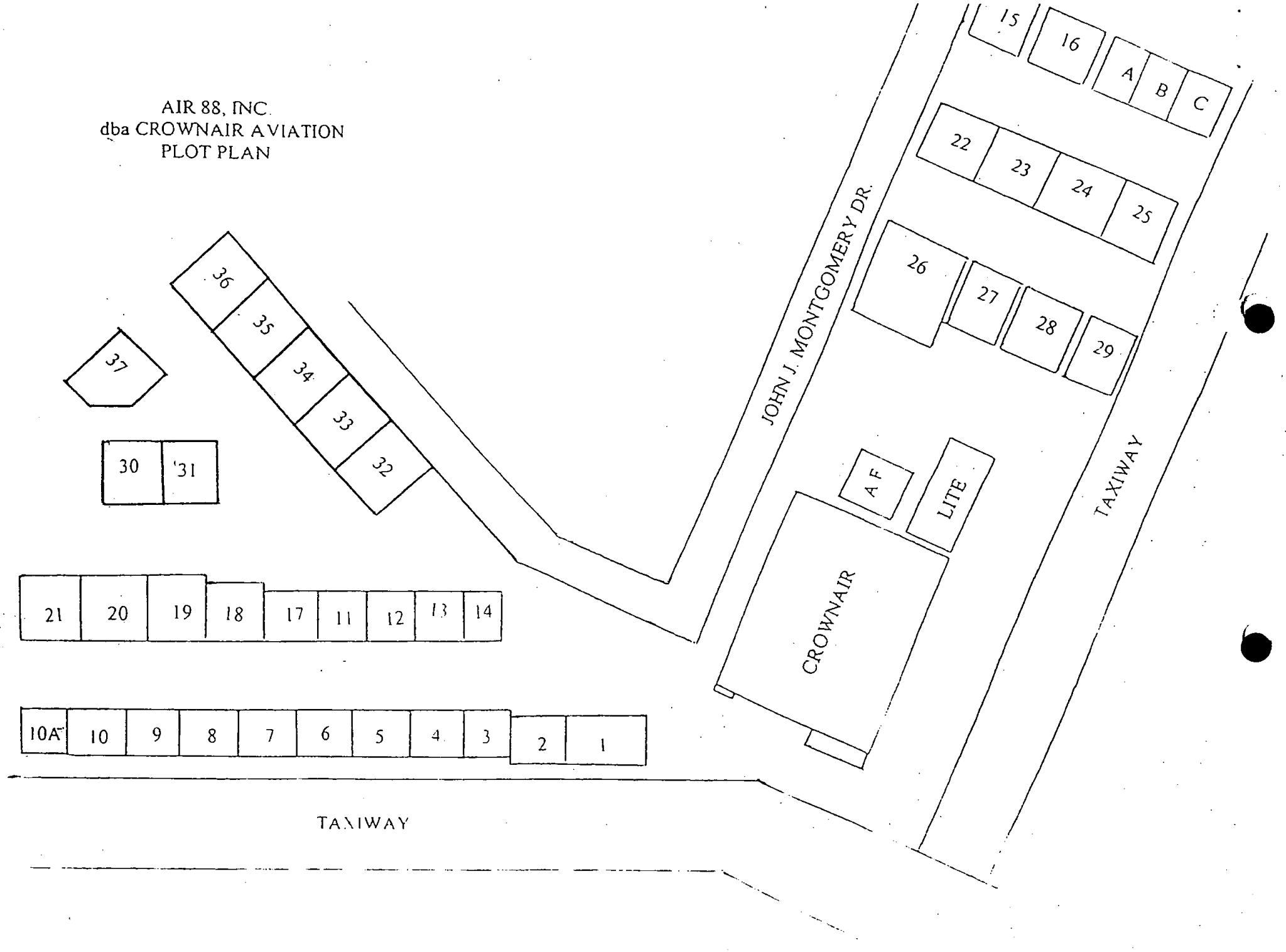


EXHIBIT "C"

MASTER LEASE

SUBLEASE
MONTGOMERY FIELD
AIRCRAFT OFFICE SPACE, HANGAR 1, AND HANGAR 2

THIS AGREEMENT is entered into on 10/26/04 between Michael C. Borden (hereinafter "Sublessor") and Shier Aviation Corporation, a California corporation, doing business as Corporate Helicopters of San Diego and Hawkins Productions (hereinafter "Sublessee").

RECITALS

1. Sublessor is the sublessee under a certain Sublease dated August 25, 1995, and amended April 1, 1997, (hereinafter "Master Sublease") by and between Sublessor and Air 88, Inc., a California corporation, doing business as CrownAir (hereinafter "Master Sublessor").

2. Master Sublessor is the lessee under a certain Lease dated May 6, 1996 (hereinafter "Master Lease") by and between master Sublessor and the City of San Diego (hereinafter "City").

3. Sublessee is desirous of contracting the use of certain Premises, as defined below, for the purpose of Aviation Related Activities, as further explained in Paragraph 3, and Sublessor is desirous of contracting the use of the Premises to Sublessee.

4. This lease supercedes and replaces any other subleases relating to the Premises as described below.

NOW, THEREFORE, the parties agree as follows:

1. Leased Premises and Term of Lease:

Sublessor hereby lets unto Sublessee, from **November 1, 2004** to **October 31, 2009**

3753 John J Montgomery	Office Space – First Floor Hangar 1	Office Suites Hangar
3753 John J Montgomery	Office Space – 2nd Floor	Office Suites
3753 John J Montgomery	Hangar 2	

(herinafter referred to as "Premises") together with all existing improvements on said and located on the Montgomery Field (MYF) airport.

Sublessor agrees Sublessee may terminate this lease and all existing personal guranties provided the following are met: a) Sublessee must give Sublessor 60 days written notice of intent to vacate the premises provided Sublessee finds a satisfactory replacement tenant (which will not be unreasonably withheld and must be approved by the City of San Diego and Air 88 in advance) in accordance with Paragraph 9, provided the new tenant assumes all responsibilities spelled out in this lease; b) The replacement tenant would assume all rights and responsibilities for this lease for the remainder of the term of the lease; c) A lease assumption restating the terms of the lease will need to be executed prior to termination of this lease with all approval signatures complete; d) The first right of refusal clause will not be available to the replacement tenant; e) Deposits will remain with the Sublessor in the event of a replacement tenant, until the end of the term of the replacement tenant lease, or the new tenant will replace the deposit. Sublessor agrees to inspect and state all then existing charges against the Deposit.

2. Rental Rate:

Monthly lease rent of		
3753 John J Montgomery	**Office Space – First Floor Hangar 1**	**$ 5,000.00**
3753 John J Montgomery	**Office Space – 2nd Floor**	**$ 2,600.00**
3753 John J Montgomery	**Hangar 2**	**$ 2,500.00**
	TOTAL PER MONTH	**$10,100.00**
Plus deposit for last month's rent over first 12 months	**Additional payment per month**	**$ 841.66**

due on the 10th of each month. Payments must be postmarked by the 10thor a 10% late fee will be assessed. Any payment not postmarked by the 10th is a material breach of the lease. Any payment check issued with insufficient funds or which were subject to a stop payment will be a material breach of the lease. Sublessee's right to "cure" is addressed in Paragraph 10, below.

Due on signing of this lease are:

First month lease payment	**$10,100.00**
Security deposit – partial payment	**$ 5,000.00**
DUE UPON SIGNING OF LEASE	**$15,100.00**
Additional Deposit-Last month lease payment	**$10,100.00**
TO BE PAID OVER FIRST 12 MONTHS OF LEASE	**$10,100.00**
Tenant Improvements-paid by Tenant	**$ 5,100.00**

Any and all deposits received and held by Sublessor on behalf of Sublessee for any and all of these Premises, or parts thereof, will be applied to the Total Amount due upon signing.

2.1 Cost of living increase: The above rents shall be increased annually on November 1 by the cost of living increase for Los Angeles/Riverside/Orange county district, using the last published prior to the commencement date as the beginning index to compare to the same index published each twelve months thereafter in the same manner as the Master Lease, which increases shall be in lieu of any cost of living increases under the Master Lease. If a cost of living increase can be determined for San Diego County it will be used instead of the other district.

3. Use of the Premises:

Sublessee shall limit use of the premises for administration of Sublessee's aviation interests, including helicopter and fixed wing charter/flight training, helicopter sales and leasing, and aerial still/film/video and commercial photography. The hangar premises shall be used for aircraft storage of Sublessee's aircraft or customers aircraft. No aircraft maintenance that is in direct competition with Crownair is allowed, maintenance on helicopters is not in competition with Crownair however maintenance on certain aircraft could be, it is up to Sublessee to verify they are not violating the non-competition clause in the original lease between Michael Borden and Air 88 regarding competition. Sublessee is responsible for moving of aircraft. Sublessee must obtain prior written approval under the terms and conditions herein for additional uses of the Premises.

4. Insurance:

Sublessee agrees at all times during the term of this Sublease to maintain "all risk" insurance on Sublessee's personal property and on any aircraft in the hangar either property of Sublessee or another, covering losses from any risk or peril including, but not limited to, fire, theft or casualty. The insurance shall: a) provide Aircraft Liability coverage; b) provide Hull Insurance on Sublessee's personal property in an amount equal to its replacement value; c) name Sublessor, the City, and Master Sublessor as additional insureds, and; d) provide Sublessor, and the City of San Diego, with not less than thirty (30) days written notice prior to termination, cancellation or material alteration of the policy. The insurance shall contain a waiver of the insurer's rights of subrogation against Sublessor as to damages to Sublessee's property regardless of whether Sublessor's acts constitute the sole or concurrent cause of loss. Sublessee shall provide evidence of such waiver to Sublessor. All such insurance shall be the sole responsibility of Sublessee and said policy shall be primary to any insurance carried by Sublessor.

5. Mutual Hold Harmless:

Sublessee shall indemnify, defend and hold Sublessor, its employees, agencies, companies and limited liability company, Master Sublessor, and the City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination

thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before, on or after execution of this agreement. Sublessor shall indemnify, defend and hold Sublessee, its employees, agencies, companies and limited liability company, Master Sublessor, and the City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessor, including its obligations under this Agreement, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before, on or after execution of this agreement. Each party will seek claims to be paid under any existing insurance before seeking indemnification from the other party.

6. Rules and Regulations:

Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction at Montgomery Field, San Diego, CA during the term of this Sublease.

7. Maintenance:

Sublessee agrees at all times during the term of this lease to maintain premises in a clean and orderly condition, including removal of all trash or non-aircraft related paraphernalia from premises, and/or oil or any other substance whatsoever from floor of premises. The Sublessor shall make no improvements, no modifications and no construction on or to the premises or the fixtures on the premises without prior permission from Sublessee. During the term of the lease the premises will be kept in the same condition as on the date of inception of the lease normal wear and tear expected. Sublessor has the right to inspect the premises during normal business hours within 24 hours of verbal notice (specifically identifying the time and day of inspection) actually received by telephone or in person. If the above conditions are not met, Sublessee will be in breach of a material provision of the lease. Upon termination of the lease, the premises will be returned in a clean and orderly condition and in the same condition as when leased by the Sublessor, except normal wear and tear. Sublessor shall maintain the building and facilities in safe and working order. If the above maintenance requirements are not met within a reasonable time period of verbal notice by Sublessee, Sublessee has the option to make such repairs and to deduct the costs of such repairs from future rents, with any dispute regarding such repairs not to be treated as a breach by Sublessee or as the failure to pay rent. Sublessee's right to "cure" is addressed in Paragraph 10, below.

8. Utilities:

Sublessee agrees to put all utilities in the name of Sublessee and to pay for all utilities in a timely manner.

9. Assignment and sublet:

Sublessee shall not encumber, assign, or otherwise transfer this Sublease, any right or interest in this Sublease, or any right or interest in the Premises without express prior written consent. Such consent shall not be unreasonably withheld. A consent of Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting or occupation of the Premises by another person. Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of the Sublessor will be considered a material breach of this Sublease.

10. Default:

Events constituting a material breach and default of this lease include the following, which are in addition to the events stated in the preceding paragraphs as constituting default:

Nonpayment of rent by the 10th of each month; noncompliance with the assignment and sublet provision; lapse of insurance coverage, damage to the premises; construction, modifications or alterations to the inside or outside of the premises or fixtures of the premises; nonpayment of utilities

by their due date; any bankruptcy of either sublessee or guarantor; any assignment of rights of this lease or sublet without written approval of the Sublessor; failure to provide the binders for insurance coverage within 3 days of the signing of the lease by Sublessee or failure to provide copies of the actual insurance policies within 30 days of the signing of the lease by Sublessee; issuance of rent checks with insufficient funds or stopping payment on rent checks that are not remedied pursuant to Paragraph 2; noncompliance with any other material provisions of the lease. If any one of the above events occurs, Sublessee will be in breach of a material provision of the lease. Failure to cure the breach within 10 days of receipt of written notice from Sublessor will result in immediate termination of the lease and surrendering of the premises. If any breaching event occurs more than two times during any 24-month period during the term of the lease, the lease will be immediately terminated upon receipt of written notice from Sublessor that a third breach has occurred. No opportunity to cure a third breach will be given to Sublessee (at Sublessor's option to be exercised and noticed to Sublessee within 30 days) and the premises will be immediately surrendered by Sublessee. If the lease is terminated for any material breach or early termination the balance of the remaining lease payment obligation will remain due and payable until the facility is released and if it is leased for less Sublessee will be liable for the difference.

11. Applicability of Master Leases

This Sublease is subject to and subordinate to the terms and conditions of the Master Sublease and Master Lease; however, no other charges or expenses under the Master Lease shall be charged to Sublessee, except as stated above. If there are any new, different or conflicting terms or conditions between the above identified leases or any other Master Lease and this Sublease, the terms and conditions stated in the Master Lease will be the controlling terms and conditions and will take precedence over this Sublease.

12. Option to Purchase Premises

If the Sublessor (or its Assignee under the above paragraph no.10) of The Premises decides to sell the Premises such intent will be made immediately known in writing to Sublesee who shall have the right to tender an offer for the purchase of the Premise so as to match or exceed the current asking price or other accepted offer. Such offer will be given consideration before any other offers of equal amount but sublessor does not have to accept any offer. Such right to tender an offer will remain available to Sublessee for five (5) business days from the notification of intent to sell or such time that another offer is accepted subject to Sublessess first right of refusal (so long as Sublessee is not indefault of this lease and this lease is still in effect). Should Sublessee tender an offer that is accepted by Sublessor, then all unused rental and security deposit will be applied to the down payment offered by Sublessee.

13. Assumption

Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Sublease and Master Lease. Said obligations shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this Sublease only.

14. Non-discrimination

Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, or national origin in the use of the Premises.

15. Suspension of Term

If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of the Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

16. Integration Clause

This written agreement contains the entire agreement between the parties hereto. The terms of this agreement are contractual and not a mere recital. No modifications may be made except in a document signed by all the parties to this agreement.

17. Validity of Terms

If any terms of this agreement are found by a court of competent jurisdiction to be invalid, the remaining terms of this agreement shall remain in effect.

18. Notices:

All notices under this agreement shall be in writing and shall be effective upon personal delivery to Sublessor or Sublessee or upon receipt of registered or certified mail and addressed to the respective parties as follows:

To Sublessor:	Michael C. Borden 1850 Joe Crosson Drive El Cajon, CA 92020
To Sublessee:	Shier Aviation Corporation dba Corporate Helicopters of San Diego 3753 John J. Montgomery Drive, Unit 2 San Diego, CA 92123

19. Binding Arbitration of Disputes

All disputes arising under this Sublease shall be submitted for binding arbitration to an arbitrator selected from the panel of arbitrators maintained by the San Diego County Superior Court. If the parties cannot mutually agree on an arbitrator, the Presiding Judge of the San Diego County Superior Court will select an arbitrator. The procedure shall be governed by the provisions of the California Civil Code of Procedure, section 1280, et seq. The arbitrator is obligated to follow California law. Both parties reserve all rights to discovery. The costs of the arbitration shall be shared equally.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHT TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDE DIN THE 'BINDING ARBITRATION OR DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT THE ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO HIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT THE MATTER INCLUDE IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

INITIALS:

Georgio Cagliero	Michael C. Borden	Deann Shier, Pres - V.P.	Ivor Shier,

20. Attorney's Fees:

In the event that an action shall be instituted by the Sublessor, the Sublessee or the Guarantor for the enforcement of its rights or remedies in and under this Lease, the prevailing party shall be entitled

to recover in addition to costs such sum as the Court may adjudge as reasonable attorney's fees. Jurisdiction and Venue for any dispute arising from this lease is agreed to be San Diego County Superior Court.

21. Binding on Heirs and Successors

The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

22. Time of Essence

This is expressly declared to be of the essence of this Sublease.

23. Modification

This Sublease contains all of the agreements and understandings of the parties and cannot be amended, modified, or changed except by the subsequent written agreement.

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this instrument as of the date stated above.

SUBLESSOR:

Michael C. Borden

SUBLESSEE:

Shier Aviation Corp., a California corporation, dba Corporate Helicopters of San Diego

Deann Shier, President

Ivor Shier, Vice-President

MASTER SUBLESSOR
Air 88, Inc., a California corporation, dba CrownAir
Approved as to form and content

Giorgio Cagliero, President

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Michael C. Borden, herein called "Sublessee", the land for a hangar and office complex measuring sixty feet by ninety five feet (60' X 95'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #1.

RECITALS

A. Sublessor is the lessee under that certain lease dated January 9, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a) This Sublease shall commence on August 1, 1995 and shall end on September 30, 2013, unless sooner terminated as provided herein. In the event the master lease is extended Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublessor's interests as sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord.

The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

4. Ground Rent. Sublessee agrees to pay $5,000.00 (five-thousand dollars) per two year period, payable, in advance, on August 1st of 1995 and every second August 1st for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

5. Ground Rent Adjustment. The ground rent provided for in Section 4 above shall be subject to adjustment at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Aero, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

6. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

7. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current wall street prime plus two percent until it is paid by Sublessee to Sublessor.

9. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft engine and airframe repairs, sales and renting of aircraft, sales and renting of aircraft parts and accessories, flight instruction, operating an aircraft charter and flight service. Subject to City approval the following uses of the Premises will be allowed, renting aircraft hangars and tie downs, sale of aviation fuel and oil, operation of service line operation and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of sublessor without prior written approval from sublessor.

10. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insured and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by lessee under the provisions of the Master Lease to the extent that are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which

Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar and trade-fixtures will become the property of the City at expiration or the Master Lease and that the hangar and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property."). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 3739 John J. Montgomery Dr., Unit #1, San Diego, CA 92123. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL

RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____, _____,
Georgio Cagliero Michael C. Borden

23. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

24. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subletting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 19th day of June, 19 95 .

SUBLESSOR:
AIR 88, INC.
a California corporation

by: _____
Georgio Cagliero, President

SUBLESSEE:

Michael C. Borden

Michael C. Borden - Signature

3753 John J. Montgomery Dr. Unit 1

Address

San Diego CA 92123

City State Zip

619 - 559-4955

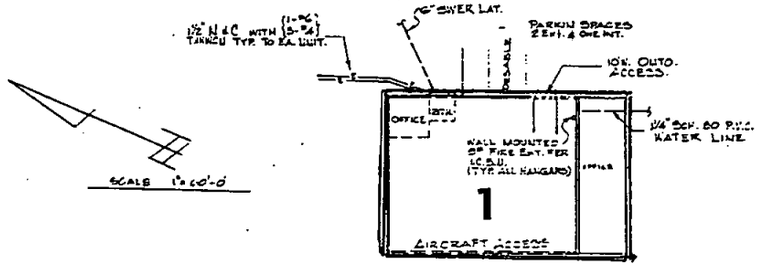
Area Code Telephone Number

EXHIBIT "A"

DESCRIPTION OF PROPERTY:

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Mongtomery Drive, Unit #1, San Diego, CA 92123.

EXHIBIT "B"



HANGAR DETAIL

Scale : 1" = 10'-0"

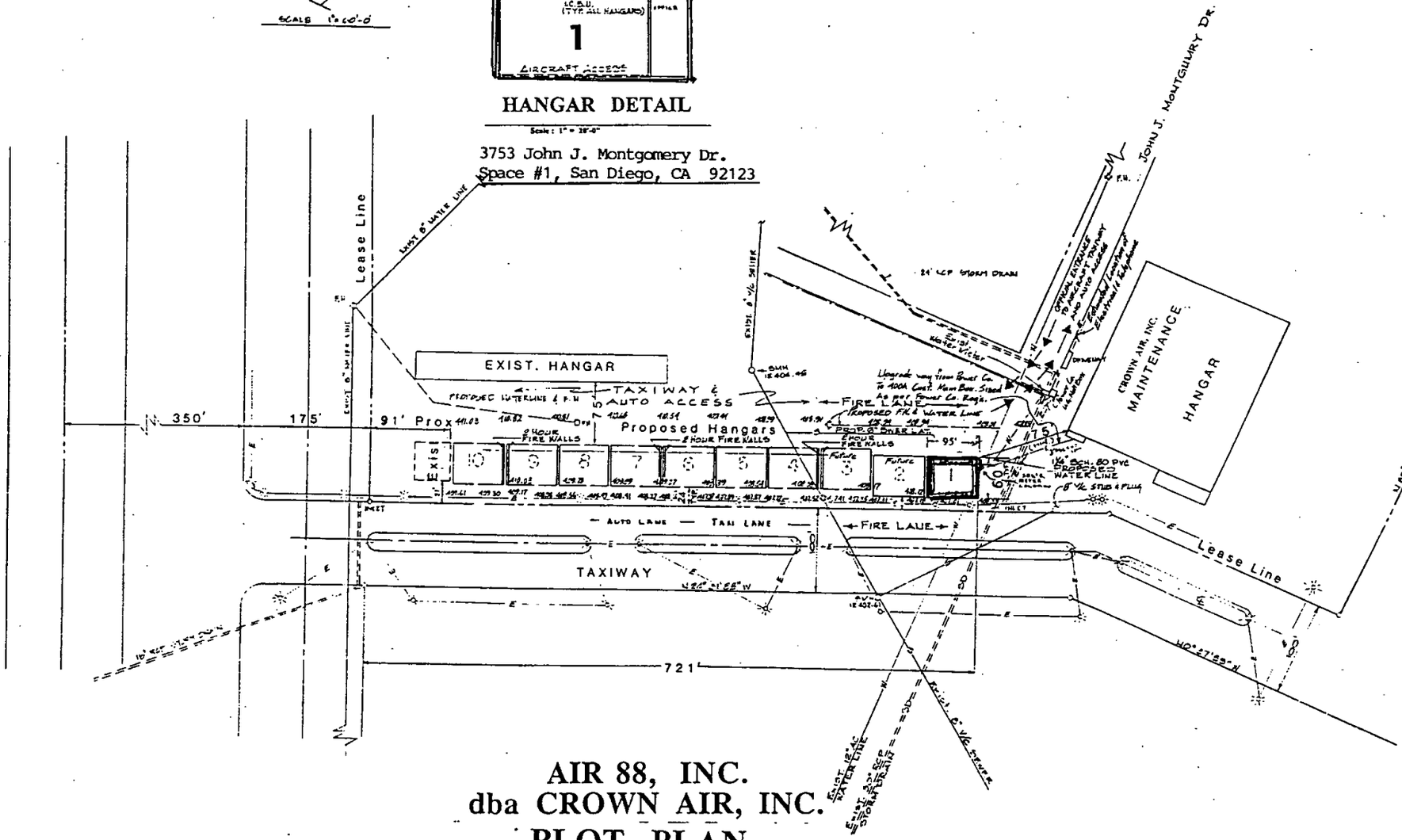
3753 John J. Montgomery Dr.
Space #1, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

ACCUPANCY	B3
CONSTRUCTION	11-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 506(a)3.A.i	75' - 20' = 55' 55' x 0.05 = 2.75
TOTAL ALLOWABLE AREA:	2.75 x 12000 = 33000 Sq.Ft.
WIND	80 mph, EXPOSURE 'B'.
LIVE LOAD	20 psf.



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

Scale : 1" = 60'-0"

I am the designer/owner in responsible charge of this project; I have inspected the site/premises and determined that existing conditions are in full compliance with current site accessibility requirements.

Signature_____ Date_____

I am the designer/owner in responsible charge of this project; I have inspected the premises and determined that existing restroom(s) service area(s) of alteration are accessible according to current requirements.

Signature_____ Date_____

Rev. 1 - 10/16/94

DESIGN:	Sia Noor Engineering	FOR
DRAWN: AH	CONSULTANT CIVIL ENGINEER	B. KIM LILLY CONSTRUCTION CO.
CHECKED: Sia 10/16	1025 17th STREET	License No. 626414
DATE:	PASO ROBLES, CA 93446	2320 RAMADA DRIVE
JOB NO: 841-220-94		PASO ROBLES, CA 93446

Duplicate to Air 88

MICHAEL C. BORDEN

3753 John J. Montgomery Drive., Hangar #1
San Diego, CA 92123
Phone (619)576-5000 Fax (619)576-3055

Sublease

Michael C. Borden, herein called "Sublessor," hereby subleases to Shier Aviation Corporation, a California Corporation doing business as Corporate Helicopters of San Diego and Hawkins Productions, herein called "Sublessee," office space #2, consisting of ~1,400 square feet, at 3753 John J. Montgomery Drive, San Diego, CA 92123, herein called the "Premises." The Premises are shown as the upstairs of a new office complex at Montgomery Field, San Diego, CA (see plot map attached hereto as Exhibit B.)

Recitals

A. Sublessor is the sublessee under that certain sublease dated August 25, 1995, herein called the "Master Sublease," by and between Sublessor and Air 88, Inc., dba: CROWNAIR herein called "Master Sublessor." See Exhibit A.

B. Master Sublessor is the lessee under that certain lease dated May 6, 1996, herein called the "Master Lease" by and between Master Sublessor and the City of San Diego, herein called the "City." See Exhibit A.

C. Sublessee has contracted the use of the Premises for the purpose of Aviation Related Activities further spelled out in Paragraph 10.

NOW, THEREFORE, the parties agree as follows:

1. **Leasing and description of Property.** Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. **Term.**
(a) This Sublease shall commence on April 1, 1997, and shall end on March 31, 2002, unless sooner terminated as provided herein. Extension to this sublease can be negotiated at any time during the term as stated above. If no extension is arranged during the above term and sublessee does not provide written cancellation to Michael C. Borden an automatic month to month sublease arrangement will be offered by sublessor and this lease will revert to a month to month arrangement with all conditions remaining the same. Rent will be billed and due by the 10th day of each month.

3. **Rent.** To compensate Sublessee for tenant improvements (all to be done in a first class and workmanship manner) rent will be free for ten (10) months from date of signing of this Sublease. For the remaining two months of the first-year-term of this Sublease Sublessee agrees to pay the Sublessor $1,500.00 (fifteen-hundred dollars) rent per month. The remaining forty-eight (48) month's rent will be at $2,000.00 (two-thousand dollars) per month.

4. **Tenant Improvements and Security Deposit.** No Security deposit will be charged due to the physical condition of the facility at time of sublease inception. Sublessee agrees to finish the upstairs and all tenant improvements in a workmanship manner all in accordance with

building codes and permits. Construction plans must be approved by Sublessor and the City and proper permits obtained where needed. The upstairs bathroom adjacent to the premises will be finished by Sublessor and will be available for the use of Sublessee. Sublessor will supply power to the premises and a meter for the exclusive use of Sublessee. There will be one hot water supply for entire building. Sublessor will pay for all permits associated with the tenant improvements and Sublessee agrees to pay for any changes to permits after the initial permit is issued. Installation of the climate control system, including ducting and roof-penetration, to be part of Sublessee's tenant improvements.

A. Signage: Sublessee has the right to install at his sole cost signage as approved by Master Lessor, City and Sublessor on the south facing parapet and east facing parapet (from the hangar south). Also as to be harmonious with airport signage and other signs on the premises and surrounding areas.

5. **Rent Adjustment.** The rent provided for in Section 3 above shall be subject to adjustment at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date"). The Annual Base Rent adjustment shall not be greater than eight percent (8%) and will be tied percentage wise to the ground rent increases presented to Sublessor by the Master Sublessor.

6. **Utilities.** Sublessee will pay all utilities for the Premises which will be isolated by a separate electrical meter. The upstairs bathroom, downstairs office and outdoor lighting will be supplied by a separate meter and paid for by the Sublessor. Cost to power hot-water-heater for Premises will be borne by Sublessee but hot-water-heater will be supplied by Sublessor.

7. **Taxes.** Any personal property taxes owed to any agency shall be paid for by Sublessee. Real property taxes on the premises will be paid by Sublessor.

8. **Late Charges.** If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to $25.00 (twenty-five dollars) shall be paid by Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

9. **Interest on Late Payments.** If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the rate of one and a half percent (1.5%) per month until it is paid by Sublessee to Sublessor.

10. **Use of the Premises.** Unless prior approval has been obtained, Sublessee shall limit use of the premises for administration of sublessee's aviation interests which include helicopter and fixed wing charter/ flight training, helicopter sales and leasing, aerial still/film/video and commercial photography.

11. **Maintenance.** Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All tenant improvements, interior painted surfaces and surfaces requiring treatment of any kind

shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to maintain standards set by example of premises of other facilities operated by Master Sublessor and Sublessor, and located on the same master sublease and/or master leasehold. Any changes shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance. Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day prior, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists not notice to enter premises will be required.

Sublessor will maintain entire exterior of building, including roof and air-conditioning system, except for the interior ducts which shall be Sublessee's responsibility. Sublessee shall bear sole responsibility for maintenance and upkeep of all of Sublessee's exterior signs.

12. **Rules and Regulations.** Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease and all other contracts between the Sublessee and Sublessor regarding the premises.

13. **Hold Harmless and Indemnity.** Sublessee shall indemnify, defend and hold Sublessor, Master Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim, liability, cost or damage was unforeseeable at any time before execution of this Sublease. Sublessor will indemnify Sublessee for any acts or omissions on the part of Sublessor. Sublessee's indemnity under this paragraph shall be limited to the extent that coverage is provided under the insurance required below.

14. **Insurance.** Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and Master Sublessor and authorized to conduct insurance business in the State of California:

(a) Commercial General Liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Master Sublessor and City shall be named as an additional insured.
(b) Fire and Extended Coverage insurance insuring all Sublessee's insurable property on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and Master Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s)

are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change.

15. **Applicability of Master Sublease.** This Sublease is subject to and subordinate to the terms and conditions of the Master Sublease and Master Lease.

16. **Assumption.** Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Sublease and Master Lease shall be considered performed by Sublessee to the extent and in the amounts paid by Sublessee to Sublessor as provided above in this sublease only.

17. **Obligations of the Sublessor.** Sublessor agrees to maintain the Master Sublease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Sublease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Sublease in accordance with its terms, and to comply with or perform all obligations of the Sublessee under the Master Sublease that Sublessee has not assumed under this sublease. Sublessor will supply the air-conditioning/heating unit portion of the Environmental Control System for the Sublessee.

18. **Default.** The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

19. **Non-Discrimination.** Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

20. **Suspension of Term.** If, during the term of this Sublease, a state of

war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of the Sublease shall be suspended insofar as such provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. **Notices.** Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested.

Notices and demands shall be addressed to:
Sublessee: 3753 John J. Montgomery Dr., Unit #2, San Diego, CA 92123
Sublessor: 3753 John J. Montgomery Dr., Unit #1, San Diego, CA 92123

Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. **Binding Arbitration of Disputes.** All disputes arising under this Agreement shall be submitted for binding arbitration to an arbitrator selected from the panel of arbitrators maintained by the San Diego County Superior Court. If the parties cannot mutually agree on an arbitrator, the Presiding Judge of the San Diego County Superior Court will select an arbitrator. The procedure shall be governed by the provisions of the California Civil Code of Civil Procedure, section 1280 et seq. The arbitrator is obligated to follow California law. Both parties reserve all rights to discovery. The costs of the arbitration shall be shared equally.

NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____, _____, _____
Georgio Cagliero Michael C. Borden Deann Shier

23. **Attorney's Fees.** Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled , in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

24. **Subleasing or Assigning as Breach.** Sublessee shall not encumber,

assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvement that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor. Neither shall Sublessee sublet the premises or any part thereof or allow any written consent of Sublessor. A consent by Sublessor to one assignment, one subletting, or one occupation of the premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of the Sublessor. To terminate this sublease Sublessor must give Sublessee 30 (thirty) days written notice to resolve problem.
The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

25. **Binding on Heirs and Successors.** The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. **Time of Essence.** Time is expressly declared to be of the essence of this sublease.

27. **Modification.** This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by the subsequent written agreement.

Executed at San Diego, California on the 1st day of April, 1997.

Sublessor:

Michael C. Borden

by: Michael C Borden 4-1-97
Michael C. Borden

Sublessee:

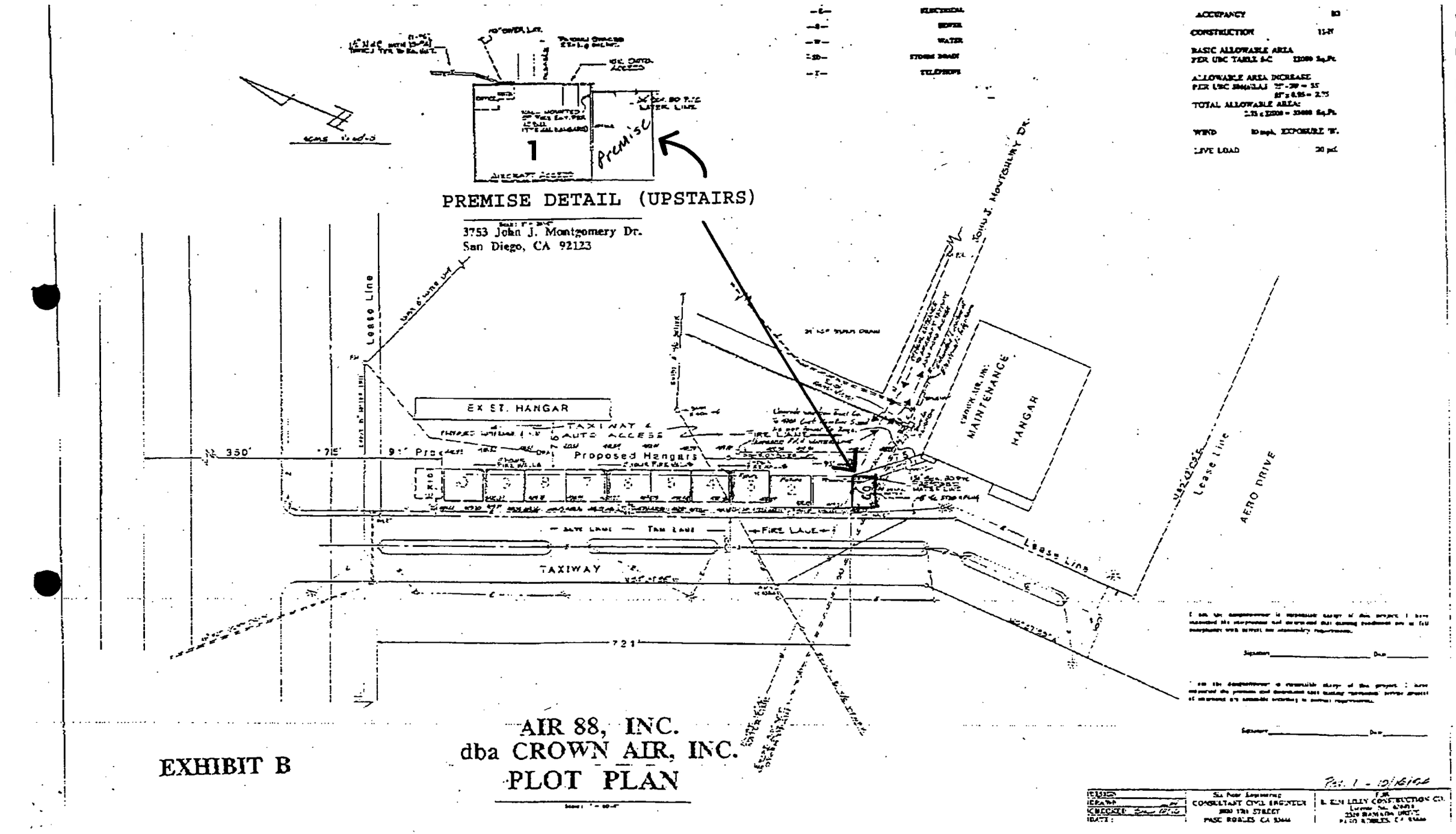
Shier Aviation Corp., dba: Corporate Helicopters of San Diego, a California Corporation

by: 4/1/97
Deann Shier, President

Master Sublessor:

Air 88, Inc., dba Crownair, a California Corporation

by:
Giorgio Cagliero, President



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

EXHIBIT B

JUL-26-95 WED 11:55

P.12

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) and Michael C. Borden (SUBLESSEE) filed in the Office of the City Clerk as Document RR-272626, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Michael C. Borden, a California Corporation, (SUBLESSEE) executed on June 19, 1995.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

CITY OF SAN DIEGO

Dated 9/8/95

BY _____
Deputy Director, Airports
Real Estate Assets Department

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 9/13/95

By _____
Chief Deputy City Attorney

DLD:dlc

a:borden.sub

DOCUMENT NO. RR-272626-5

FILED SEP 21 1995
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Michael C. Borden, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #2.

RECITALS

A. Sublessor is the lessee under that certain lease dated January 9, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar #2") on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a) This Sublease shall commence on August 1, 1995 and shall end on September 30, 2013, unless sooner terminated as provided herein. In the event the master lease is extended Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublessor's interests as sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest

of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

4. Ground Rent. Sublessee agrees to pay $5,000.00 (five-thousand dollars) per two year period, payable, in advance, on August 1st of 1995 and every second August 1st for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

5. Ground Rent Adjustment. The ground rent provided for in Section 4 above shall be subject to adjustment at the end of the first two year period, and at the end of each two year period thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

6. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become

delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

7. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

8. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current wall street prime plus two percent until it is paid by Sublessee to Sublessor.

9. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft engine and airframe repairs, sales and renting of aircraft, sales and renting of aircraft parts and accessories, flight instruction, operating an aircraft charter and flight service. Subject to City approval the following uses of the Premises will be allowed, renting aircraft hangars and tie downs, sale of aviation fuel and oil, operation of service line operation and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of sublessor without prior written approval from sublessor.

10. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

11. Rules and Regulations. Sublessee agrees to observe and obey all

policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insured and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by lessee under the provisions of the Master Lease to the extent that are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after

written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #2 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #2 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property."). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #2 and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 3739 John J. Montgomery Dr., Unit #1, San Diego, CA 92123. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALLING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN

THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEI[redacted] TO THIS PROVISION, YOU M[redacted] BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF T[redacted] CALIFORNIA CODE OF CIVIL [redacted]OCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____, _____
Giorgio Cagliero Michael C. Borden

23. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

24. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subletting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subletting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subletting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subletting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 19th day of June, 19 95 .

SUBLESSOR:
AIR 88, INC.,
a California corporation

by: _____
Giorgio Cagliero, President

SUBLESSEE:

Michael C. Borden
Michael C. Borden Signature

1742 Swallow Drive
Address

El Cajon CA 92020
City State Zip

619- 448-2604
Area Code Telephone Number

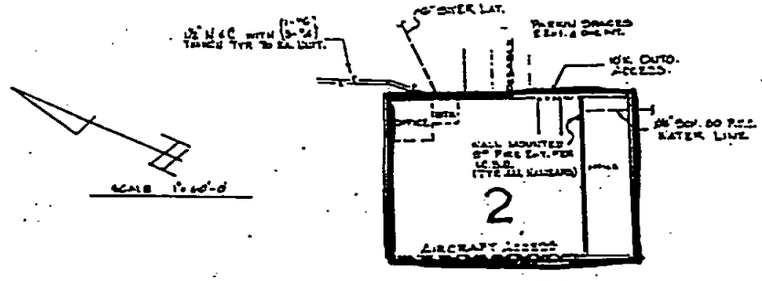
EXHIBIT "A"

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

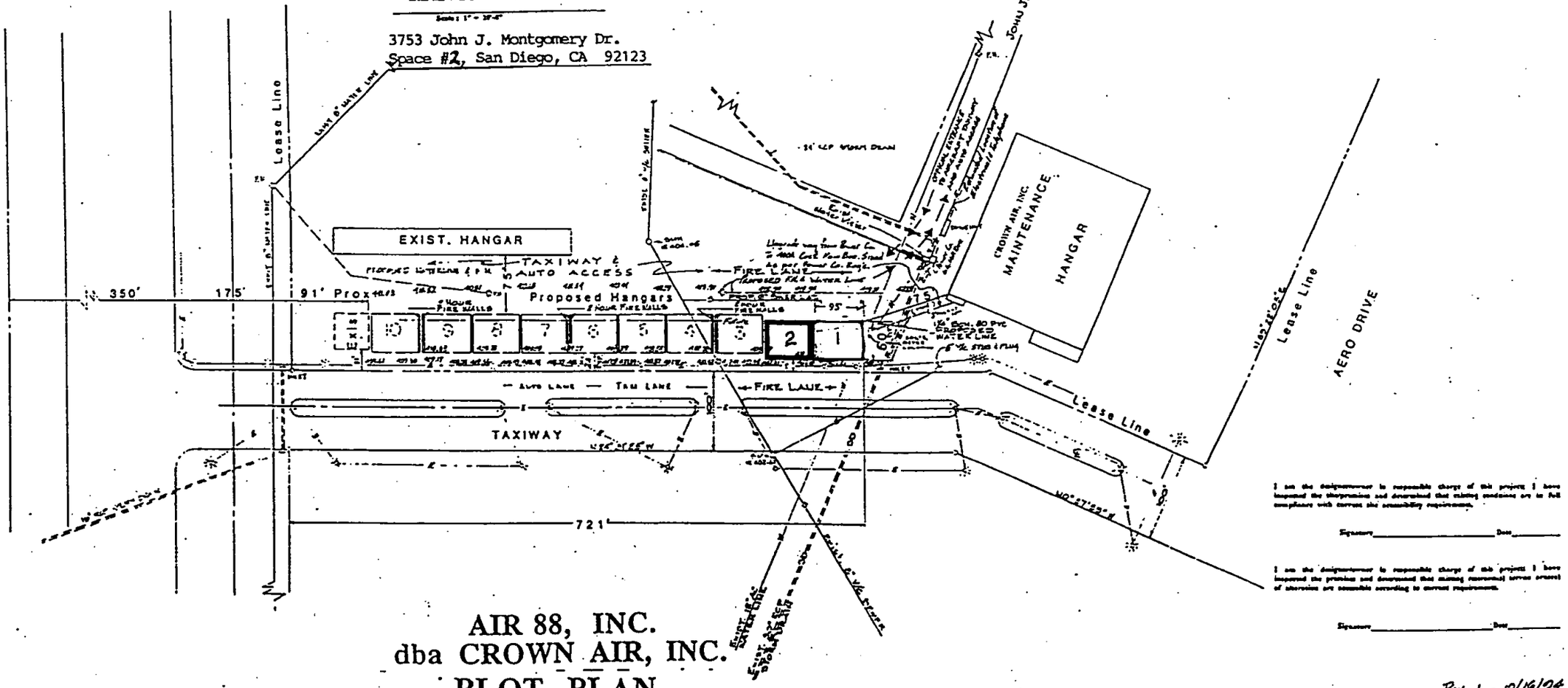
U. B. C. 1991

ACCUPANCY	S3
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 506(a)3.A.i	75' - 20' = 55' 55' x 0.05 = 2.75
TOTAL ALLOWABLE AREA	2.75 x 12000 = 33000 Sq.Ft.
WIND	80 mph. EXPOSURE 'B'.
LIVE LOAD	20 psf.



HANGAR DETAIL

3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

I am the designer-in-responsible charge of this project. I have inspected the site/premises and determined that existing conditions are in full compliance with current site accessibility requirements.

Signature _____ Date _____

I am the designer-in-responsible charge of this project. I have inspected the premises and determined that existing commercial interior amount of alterations are reasonable according to current requirements.

Signature _____ Date _____

P.C. 1 - 10/16/96

DESIGN	Sia Nasr Engineering CONSULTANT CIVIL ENGINEER 1020 12th STREET PASO ROBLES, CA 93446 (805) 237-1667	FOR R. KEN LILLY CONSTRUCTION CO. License No. 636618 2320 RAMADA DRIVE PASO ROBLES, CA 93446 (805) 238-9172
DRAWN		
CHECKED		
DATE		
JOB NO.		

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document RR-272626, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Mark and Diana Levy, (SUBLESSEE) executed on October 5, 1995, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following condition: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

CITY OF SAN DIEGO

Dated 10/26/95

BY _____
Acting Director, Airports
Real Estate Assets Department

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 10/24/95

By _____
Chief Deputy City Attorney

DLD:dlc

a:levy.sub

DOCUMENT NO C-06650

FILED _____
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Mark and Diana Levy, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space #3.

RECITALS

A. Sublessor is the lessee under that certain lease dated January 26, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar #3) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on _____ and shall end on November 31, 2013, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made

prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat-rate of Three Thousand and no/100 Dollars ($3,000.00) per year. Ground rent will begin and be payable on the first (1st) day of the month commencing after the final closing o the hangar purchase and final acceptance of this sublease by both City and Sublessor. When new master leases are implemented that include lease term extensions the percent increase or decrease in lease ground rent per acre shall increase or decrease the ground rent in this sublease proportionally. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first two year period after the flat-rate master lease has been signed into effect, and at the end of each two year period thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. Unless prior approval has been obtained Sublessee or its tenants shall use the Premises for aircraft storage use and associated uses.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such

maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #3 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_

and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #3 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 6805 N. Joshua Tree Lane, Paradise Valley, AZ 85253. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO

DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: GC Giorgio Cagliero ML Mark Levy DL Dreda Levy The City of San Diego

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 5th day of OCTOBER, 1995

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GEORGIO CAGLIERO, President

SUBLESSEE:
Mark and Diana Levy

_____
Mark Levy

_____
Diana Levy

6805 N. Joshua Tree Lane
Address

Paradise Valley AZ 85253
City *State* *Zip*

602 ~~840-9401~~ 952-9530
Area Code *Telephone No.*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #3, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and Mark and Diana Levy (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Mark and Diana Levy (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

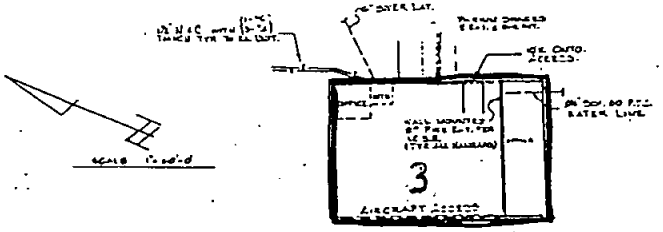
APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____

By: _____
Chief Deputy City Attorney

EXHIBIT "A"



HANGAR DETAIL

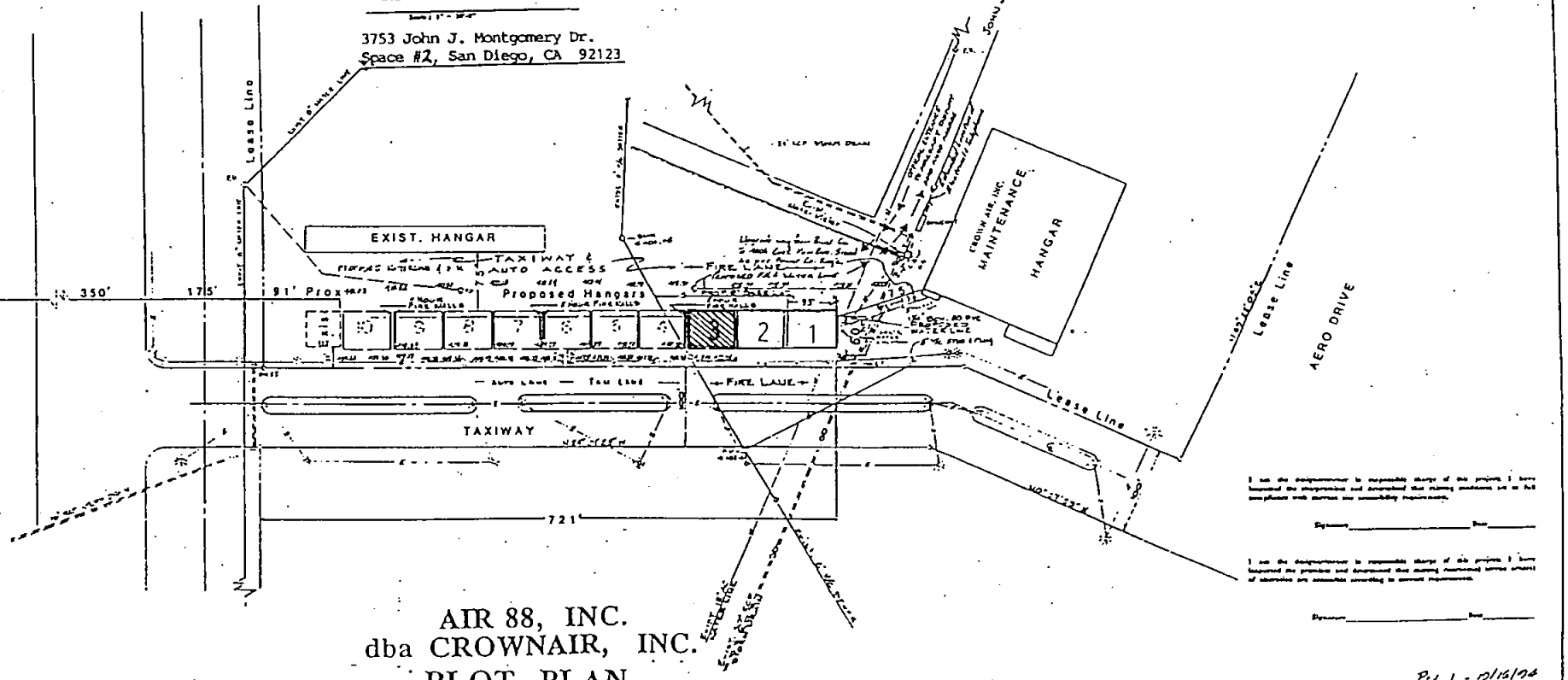
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

ACCUPANCY	B-2
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 506(a)(3.A.)	75' - 25' = 50' 50' x 0.06 = 3.75
TOTAL ALLOWABLE AREA	3.75 x 12000 = 33600 Sq.Ft.
WIND	80 m.p.h. EXPOSURE 'B'
LIVE LOAD	20 p.s.f.



AIR 88, INC.
dba CROWNAIR, INC.
PLOT PLAN

P.C. 1 - 10/16/94

DESIGN	Rio Seco Engineering CONSULTANT CIVIL ENGINEER 1920 13th STREET PASO ROBLES, CA 93446 (805) 237-1661	FOR R. KIM LALEY CONSTRUCTION CO. 1180 RAMADA DRIVE PASO ROBLES, CA 93446 (805) 238-9177
DRAWN		
CHECKED		
DATE		
JOB NO. RU-350-94		

EXHIBITS "A+B"

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and 113, Inc., (SUBLESSEE), for Hanger Space #3, commencing on May 1, 1999. The Consent is subject to the following conditions:

(1) Subordination: The Sublease is subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

(2) Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its improvements on the premises; sublet the improvements; relocate the improvements, or make major alterations to the improvements without prior written authorization from the CITY in each instance.

RBB, W.P., 113 Inc.
Initial

(3) Conditions for Attornment (Section 2. of Sublease): Providing SUBLESSEE is in compliance with its Sublease at such time as CITY terminates the Master Lease early, the CITY agrees to execute a lease agreement with SUBLESSEE for the sublet premise, at the then current appraised market rent, and in accordance with the terms and conditions of the City's then current standard lease agreement and for the term remaining on the Master Lease at its termination.

CITY further agrees to allow SUBLESSEE to temporarily attorn to the CITY, as its SUBLESSEE, under the terms and conditions of the terminated Master Lease until the new lease is executed between CITY and SUBLESSEE, at which time the new lease will supercede the terminated Master Lease and Sublease. SUBLESSEE must sign the new lease and submit the lease, required proof of insurance coverage and any deposits to CITY within 60 days after receiving the new lease for signature from CITY, or CITY may terminate SUBLESSEE's tenancy with 30-days prior written notice.

DOCUMENT NO. OO-18298 -21
FILED MAY 07 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

CONSENT TO SUBLEASE AGREEMENT

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(3) Conditions for Attornment (Section 2. of Sublease): Providing SUBLESSEE is in compliance with its Sublease at such time as CITY terminates the Master Lease early, the CITY agrees to execute a lease agreement with SUBLESSEE for the sublet premise, at the then current appraised market rent, and in accordance with the terms and conditions of the City's then current standard lease agreement and for the term remaining on the Master Lease at its termination.

CITY further agrees to allow SUBLESSEE to temporarily attorn to the CITY, as its SUBLESSEE, under the terms and conditions of the terminated Master Lease until the new lease is executed between CITY and SUBLESSEE, at which time the new lease will supercede the terminated Master Lease and Sublease. SUBLESSEE must sign the new lease and submit the lease, required proof of insurance coverage and any deposits to CITY within 60 days after receiving the new lease for signature from CITY, or CITY may terminate SUBLESSEE's tenancy with 30-days prior written notice.

(4) Supersedure. When executed, this Consent supercedes the previous Consent to Sublease executed by City for the Sublease between LESSEE and Mark and Diana Levy for Space #3 and the previous Consent will become void.

THE CITY OF SAN DIEGO

Date: 4/22/99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 4/30/99

By: _____
Deputy City Attorney

PRISCILLA DUGARTE, DCA

File: sub113

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(2) Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its improvements on the premises; sublet the improvements; relocate the improvements, or make major alterations to the improvements without prior written authorization from the CITY in each instance.

(3) Conditions for Attornment (Section 2. of Sublease): Providing SUBLESSEE is in compliance with its Sublease at such time as CITY terminates the Master Lease early, the CITY agrees to execute a lease agreement with SUBLESSEE for the sublet premise, at the then current appraised market rent, and in accordance with the terms and conditions of the City's then current standard lease agreement and for the term remaining on the Master Lease at its termination.

CITY further agrees to allow SUBLESSEE to temporarily attorn to the CITY, as its SUBLESSEE, under the terms and conditions of the terminated Master Lease until the new lease is executed between CITY and SUBLESSEE, at which time the new lease will supercede the terminated Master Lease and Sublease. SUBLESSEE must sign the new lease and submit the lease, required proof of insurance coverage and any deposits to CITY within 60 days after receiving the new lease for signature from CITY, or CITY may terminate SUBLESSEE's tenancy with 30-days prior written notice.

DOCUMENT NO. 00-18298 -21

FILED MAY 07 1999

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RECEIVED
CITY CLERK'S OFFICE
99 MAY -4 PM 2:38
SAN DIEGO, CALIF.

(4) Supersedure. When executed, this Consent supercedes the previous Consent to Sublease executed by City for the Sublease between LESSEE and Mark and Diana Levy for Space #3 and the previous Consent will become void.

THE CITY OF SAN DIEGO

Date: 4/22/99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 4/30/99

By: Priscilla Dugard
Deputy City Attorney
PRISCILLA DUGARD, DCA

File: sub113

Air 88, Inc. d.b.a. Crownair

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 - Fax (619) 277-7591

Sublease

Air 88, Inc., d.b.a. Crownair, a California corporation, herein called "Sublessor", hereby subleases to 113, Inc., herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #3.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #3) on the Premises from Kim Lilly Construction. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

   (a) This Sublease shall commence on May 1st, 1999 and shall end on May 31, 2016, unless sooner terminated as provided herein. In the event that the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this Sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City shall be made prior to termination of the Master Lease. The terms of the extension or new Sublease will, subject to approval by the City, be proportional to the rent in this Sublease and to the percentage (%) increase to the new or extended Master Lease. In the event of attornment, the rent may be increased to market rate.

(b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $360.00 (Three hundred sixty dollars) per monthly period, payable in advance, on the first of each month for the full term of this Lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123-1795, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 3 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the

Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of

this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #3 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #3 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #3 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at c/o David G. Budd, Esq., 3033 Riviera Dr., Ste 201, Naples FL 34103 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: GL _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 18th day of February, 1999

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE: 113, Inc.

David G Budd
Signture

By: David G. Budd, Vice President
Name (Print)

3033 Riviera Dr., Suite 201
Address

Naples, Florida 34103
City *State* *Zip*

941 263-7700
area code *phone number*

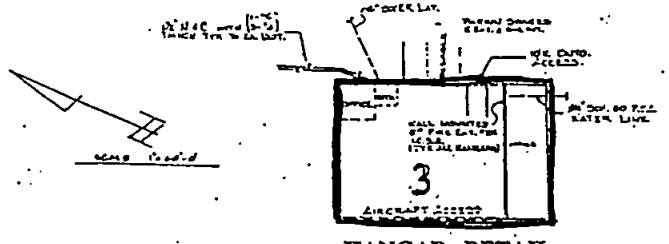
941 263-0998
Fax area code fax number

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #3, San Diego, CA 92123.

EXHIBIT "A"



HANGAR DETAIL

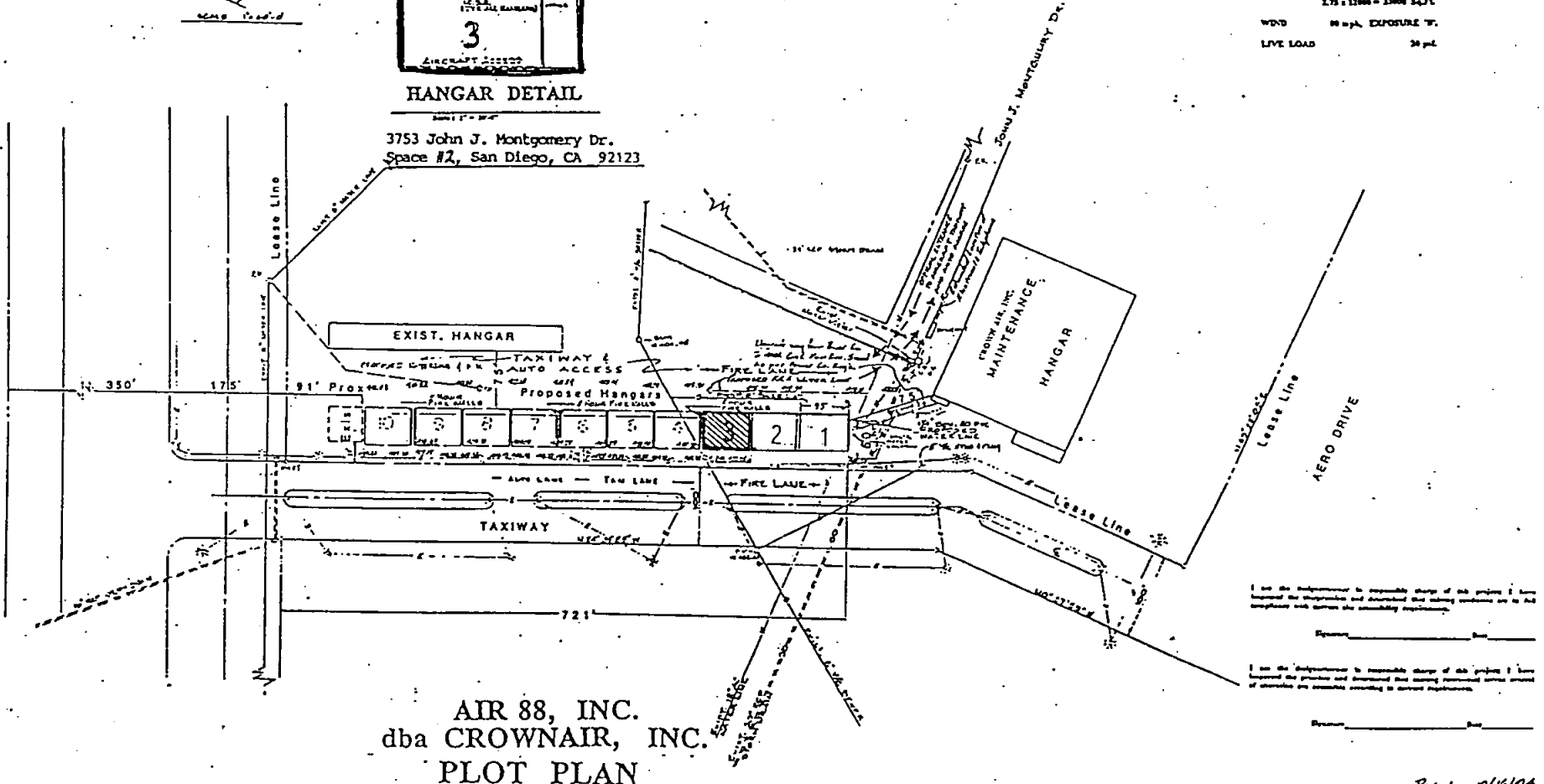
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—D—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

ACCUPANCY	S3
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 505(b)(2.1) 75' - 30' = 45' 45' x 0.06 = 2.75	
TOTAL ALLOWABLE AREA 2.75 x 12000 = 33000 Sq.Ft.	
WIND	80 m.p.h. EXPOSURE "B"
LIVE LOAD	20 psf.



AIR 88, INC.
dba CROWNAIR, INC.
PLOT PLAN

EXHIBITS "A+B"

P.C. 1 - 10/16/04

DESIGN		
DRAWN		
CHECKED		
DATE		
JOB NO. 800-320-07		

Sin Jones Engineering
CONSULTANT CIVIL ENGINEER
1030 17th STREET
PASO ROBLES, CA 93446

FOR
R. EDW LILLY CONSTRUCTION CO.
2130 BUENA VISTA
PASO ROBLES, CA 93446

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. D.b.a. Crownair, a California corporation (LESSEE), and filed in the Office of the City Clerk as Document RR-272626, hereby consents to the certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Simon T (SUBLESSEE) dated January 1, 1996, attached hereto.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with, or is in addition to, the provisions of the Master Lease, except as otherwise stated below:

(1) Section 8 Use of Premises. of Sublease: City is consenting that the premises be used solely by Sublessee for storing aircraft owned by him. Any other use(s) of the premises requires the prior written approval from the City Manager or his or her designee.

(2) Section 2 Term., paragraph c.: In the event the Master Lease is terminated before its expiration date, then City shall agree to an attornment under the conditions set forth in this Section, providing Sublessee is in compliance with the Sublease at the time.

CITY OF SAN DIEGO
CITY MANAGER

Dated: 3/20/96

By: _____
Supervising Property Agent

APPROVED AT TO FORM:
JOHN W. WITT, CITY ATTORNEY

Dated: 3/20/96

By: _____
Chief Deputy City Attorney

DOCUMENT NO. RR-272626-8
FILED MAR 27 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Simon T, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 4.

RECITALS

A. Sublessor is the lessee under that certain lease dated January 26, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 4) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on January 1, 1996 and shall end on November 30, 2013 , unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new

sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond November 30, 2013. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars and no cents) per month period, payable, in advance, on the first day of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of 5 years and 7 1/2 years then at the end of every 5 years thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said

premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft engine and air frame repairs, sales and renting of aircraft, sales and renting of aircraft parts and accessories, flight instruction, operating an aircraft charter and flight service. Subject to City approval the following uses of the Premises will be allowed: renting aircraft hangars and tie downs, sale of aviation fuel and oil, operation of service line operation and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 4 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 4 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 4 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at P. O. Box 186, Naples, Florida 33939-0186. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY

NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: OL _____ SG _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

SEE ADDENDUM ATTACHED HERETO AND BY THIS REFERENCE INCORPORATED HEREIN.

Executed at San Diego, California on the 18 day of Jan, 1996

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GEORGIO CAGLIERO, President

SUBLESSEE:

_____
Signature

Simon T
Name (Print)

P.O. Box 186
Address

Naples Fla 33939-0186
City *State* *Zip*

941 434-2324
Area Code *Telephone No.*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_4_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and SIMON T (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and SIMON T (SUBLESSEE), together with the Addendum to Sublease, executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease, and to non-disturbance of Sublessee, under paragraph 5 of the Addendum to Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____

By: _____
Chief Deputy City Attorney

ADDENDUM TO SUBLEASE

This Addendum ("Addendum") to Sublease dated _____, 1996 ("Sublease") is made and entered into by and between AIR 88, INC., a California corporation ("Sublessor"), and SIMON T ("Sublessee"). Sublessor and Sublessee agree as follows:

1. The parties hereto acknowledge and agree that a new flat rate master lease ("New Master Lease") in the form of Exhibit "1" attached hereto and by this referenced incorporated herein has been signed by Sublessee and submitted to the City of San Diego for approval, and that approval of same is contemplated within approximately two (2) months from the date hereof.

2. If, and at such time as the New Master Lease becomes effective, the parties hereby agree that the Sublease, as revised by this Addendum, shall be subject to and subordinate to the New Master Lease, that all references to the Master Lease in the Sublease shall be deemed to be to the New Master Lease, and that all references to the terms and conditions of the Master Lease, including, without limitation, the expiration date of both the Master Lease and the Sublease, shall be deemed to be modified to be consistent with the terms and conditions of the New Master Lease. No additional action and/or approval on the part of the parties hereto or the City of San Diego shall be required in connection with the foregoing.

3. Sublessee may, at his election, pay the Ground Rent on a per annum basis. If Sublessee pays the ground rent on an annual basis, Sublessee shall be entitled to a ten percent (10%) discount off the Ground Rent as provided for in Paragraphs 3 and 4 of the Sublease.

4. Paragraph 18 of the Sublease is hereby deleted.

5. In the event of the termination of the Master Lease or the New Master Lease, the City of San Diego, in the exercise of its rights pursuant to Paragraph 2(c) of the Sublease, shall not disturb or deprive Sublessee in or of its right to possession of the Premises, or any part thereof, under the terms of the Sublease or any right or privilege granted, or inuring, to the benefit of Sublessee, provided that Sublessee is not in default under the terms and conditions of the Sublease, so as to permit the Sublessor thereunder to terminate the Sublease.

6. Immediately after execution of the Sublease and this Addendum by Sublessor and Sublessee, Sublessor hereby agrees to submit this Addendum, together with the Sublease to the City of San Diego, for approval. City approval of the Sublease is also approval of this Addendum.

Date: 1/18/96

SUBLESSOR:

AIR 88, INC., a
California corporation

By: _____
Giorgio Cagliero, President

Date: _____

SUBLESSEE:

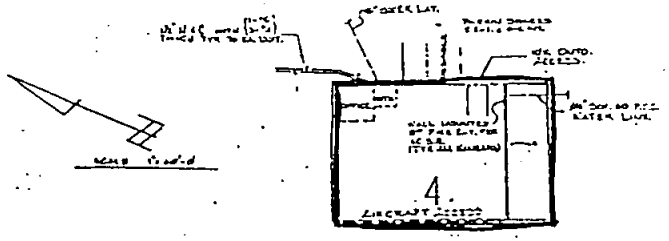
_____
SIMON T

Date: _____

THE CITY OF SAN DIEGO

By: _____
Deputy Director, Airports
Real Estate Assets Department

EXHIBIT "A"



HANGAR DETAIL

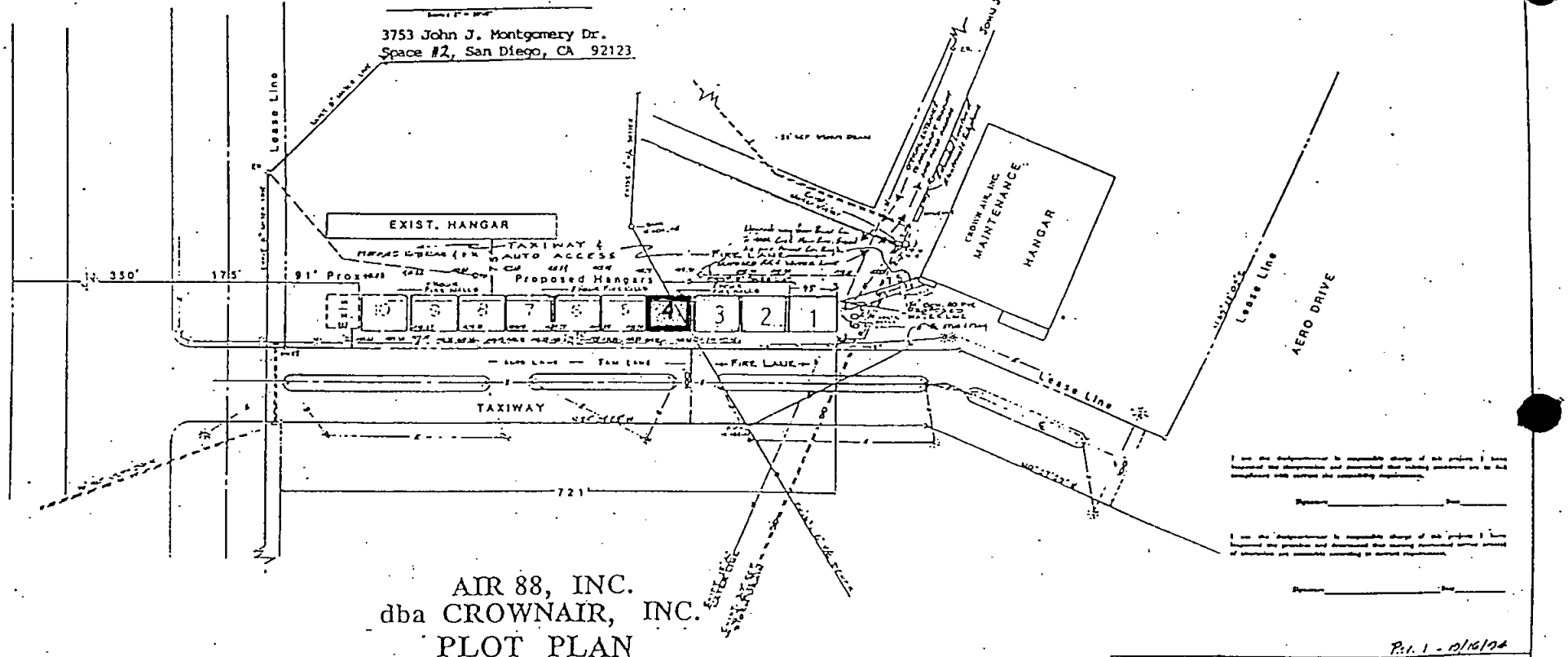
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

ACCUPANCY	S3
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 505(a)(2.a.)	25' - 20' = 5' 5' x 0.06 = 2.75
TOTAL ALLOWABLE AREA	2.75 x 12000 = 33000 Sq.Ft.
WIND	80 mph. EXPOSURE "B".
LIVE LOAD	20 psf.



AIR 88, INC.
dba CROWNAIR, INC.
PLOT PLAN

P.C. 1 - 12/16/94

DESIGN	Rick Power Engineering CONSULTANT CIVIL ENGINEER 3038 13th STREET PASO ROBLES, CA 93446 (805) 237-1447	FOR R. KIM LILLY CONSTRUCTION CO. 2320 RAMADA DRIVE PASO ROBLES, CA 93446 (805) 238-7177
DRAWN		
CHECKED		
DATE		
JOB NO.	60-230-94	

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair, a California corporation (LESSEE) and filed in the Office of the City Clerk as Document RR-272626, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Crownair Charter, Inc., (SUBLESSEE) dated April 1, 1995, attached hereto. Said Sublease shall subordinate to the Master Lease in all respects.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

In addition, this Consent is subject to the following conditions:

(1) (Section 3. Office Rent) In the event the lease expires, is terminated, or it is assigned to another LESSEE for any reason, SUBLESSEE shall be required to commence paying market rent for the premises, with 30 days prior written notice from either SUBLESSOR or CITY.

(2) (Section 4. Additional Rent) At such time as a new flat-rate lease is executed on the leasehold or the existing lease is amended from a percentage to a flat-rate rent basis, then SUBLESSEE shall commence paying the CITY landing fees on every commercial operation instead of percentage rents.

Dated 3/14/96

CITY OF SAN DIEGO

BY Carole Herring
Airport Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 3/19/96

By
Chief Deputy City Attorney

DOCUMENT NO. RR-272626-7

FILED MAR 25 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

DOCUMENT NO.

FILED
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: crowncharter.sub

ORIGINAL

AIR 88, Inc.

3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Simon T, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 4 .

RECITALS

A. Sublessor is the lessee under that certain lease dated January 26, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 4) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on January 1, 1996 and shall end on November 30, 2013 , unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new

sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond November 30, 2013. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars and no cents) per month period, payable, in advance, on the first day of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of 5 years and 7 1/2 years then at the end of every 5 years thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said

premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft engine and air frame repairs, sales and renting of aircraft, sales and renting of aircraft parts and accessories, flight instruction, operating an aircraft charter and flight service. Subject to City approval the following uses of the Premises will be allowed: renting aircraft hangars and tie downs, sale of aviation fuel and oil, operation of service line operation and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 4 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 4 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 4 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at P. O. Box 186, Naples, Florida 33939-0186. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY

NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: OL _____ SG _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

SEE ADDENDUM ATTACHED HERETO AND BY THIS REFERENCE INCORPORATED HEREIN.

Executed at San Diego, California on the 18 day of Jan, 1996

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GEORGIO CAGLIERO, President

SUBLESSEE:

_____
Signature

Simon T
Name (Print)

P.O. Box 186
Address

Naples Fla 33939-0186
City *State* *Zip*

941 434-2324
Area Code *Telephone No.*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_4_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and SIMON T (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and SIMON T (SUBLESSEE), together with the Addendum to Sublease, executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease, and to non-disturbance of Sublessee, under paragraph 5 of the Addendum to Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____

By: _____
Chief Deputy City Attorney

ADDENDUM TO SUBLEASE

This Addendum ("Addendum") to Sublease dated _____, 1996 ("Sublease") is made and entered into by and between AIR 88, INC., a California corporation ("Sublessor"), and SIMON T ("Sublessee"). Sublessor and Sublessee agree as follows:

1. The parties hereto acknowledge and agree that a new flat rate master lease ("New Master Lease") in the form of Exhibit "1" attached hereto and by this referenced incorporated herein has been signed by Sublessee and submitted to the City of San Diego for approval, and that approval of same is contemplated within approximately two (2) months from the date hereof.

2. If, and at such time as the New Master Lease becomes effective, the parties hereby agree that the Sublease, as revised by this Addendum, shall be subject to and subordinate to the New Master Lease, that all references to the Master Lease in the Sublease shall be deemed to be to the New Master Lease, and that all references to the terms and conditions of the Master Lease, including, without limitation, the expiration date of both the Master Lease and the Sublease, shall be deemed to be modified to be consistent with the terms and conditions of the New Master Lease. No additional action and/or approval on the part of the parties hereto or the City of San Diego shall be required in connection with the foregoing.

3. Sublessee may, at his election, pay the Ground Rent on a per annum basis. If Sublessee pays the ground rent on an annual basis, Sublessee shall be entitled to a ten percent (10%) discount off the Ground Rent as provided for in Paragraphs 3 and 4 of the Sublease.

4. Paragraph 18 of the Sublease is hereby deleted.

5. In the event of the termination of the Master Lease or the New Master Lease, the City of San Diego, in the exercise of its rights pursuant to Paragraph 2(c) of the Sublease, shall not disturb or deprive Sublessee in or of its right to possession of the Premises, or any part thereof, under the terms of the Sublease or any right or privilege granted, or inuring, to the benefit of Sublessee, provided that Sublessee is not in default under the terms and conditions of the Sublease, so as to permit the Sublessor thereunder to terminate the Sublease.

6. Immediately after execution of the Sublease and this Addendum by Sublessor and Sublessee, Sublessor hereby agrees to submit this Addendum, together with the Sublease to the City of San Diego, for approval. City approval of the Sublease is also approval of this Addendum.

Date: 1/18/96

SUBLESSOR:

AIR 88, INC., a
California corporation

By: _____
Giorgio Cagliero, President

Date: _____

SUBLESSEE:

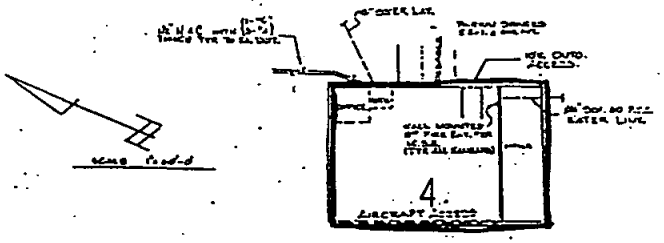
_____
SIMON T

Date: _____

THE CITY OF SAN DIEGO

By: _____
Deputy Director, Airports
Real Estate Assets Department

EXHIBIT "A"



HANGAR DETAIL

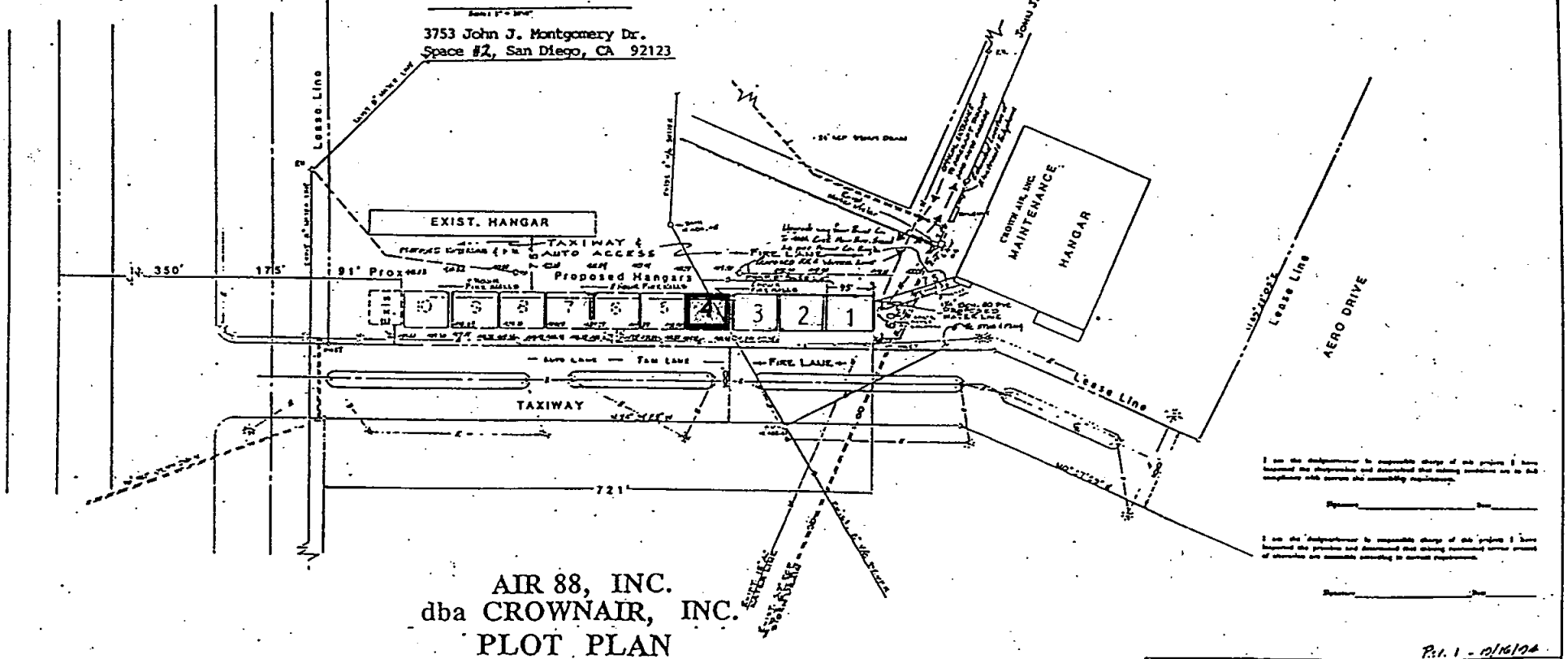
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

ACCUPANCY	S3
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	12000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 506(a)(2)	75' - 50' = 25' 25' x 0.08 = 2.25
TOTAL ALLOWABLE AREAS	2.25 x 12000 = 27000 Sq.Ft.
WIND	80 mph, EXPOSURE 'B'
LIVE LOAD	20 psf



AIR 88, INC.
dba CROWNAIR, INC.
PLOT PLAN

P.C. 1 - 11/16/94

DESIGN		
DRAWN		
CHECKED		
DATE		
JOB NO.		

CONSULTANT CIVIL ENGINEER
PASO ROBLES, CA 93446

FOR:

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. D.b.a. Crownair, a California corporation (LESSEE), and filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement between the above LESSEE (SUBLESSOR) and R.S. Allen Aviation, Inc. (SUBLESSEE), commencing June 1, 1996, attached hereto.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with, or is in addition to, the provisions of the Master Lease, except as otherwise stated below:

(1) Section 8 Use of Premises. of Sublease: City is consenting that the premises be used solely by Sublessee for storing aircraft owned by him. Any other use(s) of the premises requires the prior written approval from the City Manager or his or her designee.

(2) Section 2 Term., paragraph c.: In the event the Master Lease is terminated before its expiration date, then City shall agree to an attornment under the conditions set forth in the Master Lease.

CITY OF SAN DIEGO
CITY MANAGER

Dated: 6/11/96

By: Carol A. Lucas
Airports Real Estate Manager

APPROVED AT TO FORM:
JOHN W. WITT, CITY ATTORNEY

Dated: 6/14/96

By:
Chief Deputy City Attorney

File: cons.a96

DOCUMENT NO. 0-18298
FILED JUN 20 1996
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to R.S. Allen Aviation Inc., herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space #5.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar #5) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on June 1, 1996 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of

the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Master Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $360.00 (Three-hundred-sixty dollars) per monthly period, payable, in advance, on the 1st day of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at CrownAir, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of 5 year(s) and at the end of every 5 year(s) thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following 5 year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the Premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said Premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said Premises by

any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements for Unit #5 on the Premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City related to Unit #5.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the Premises are leased to Sublessee solely and exclusively for the purpose of hangaring aircraft. Subject to City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other

facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance on the Premises Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter Premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity.

(a) Sublessee shall indemnify, defend and hold Sublessor harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

(b) Sublessor shall indemnify, defend and hold Sublessee harmless from any claim, liability, cost or damage of any kind allegedly suffered, incured or threatened because of any act or omission (negligent or non-negligent) by Sublessor, any guest, patron, agent or employee of Sublessor, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and the City of San Diego shall be named as additional insureds.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of

such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased Premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 5 and trade-fixtures may not in any case be removed from the Premises during the term of the Master Lease. Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #5 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 1029 N. Demaree, Visalia, CA, 93291. Notices and demands shall be addressed to Sublessor c/o CrownAir, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Subject to Sublessee's right to sell the facility and improvements on the Premises as provided in paragraph 18, above, Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give

Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 8 day of MAY, 1996

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GIORGIO CAGLIERO, President

SUBLESSEE:

_____
Signature

R.S. Allen Aviation Inc.
Name (print)

4370 La Jolla Village Drive, Suite 220
Address

San Diego, CA 921222
City *State* *Zip*

(619) 550-1930 (Fax: 619-550-1935)
Area Code *Telephone No.*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #3, San Diego, CA 92123.

IBIT "A"

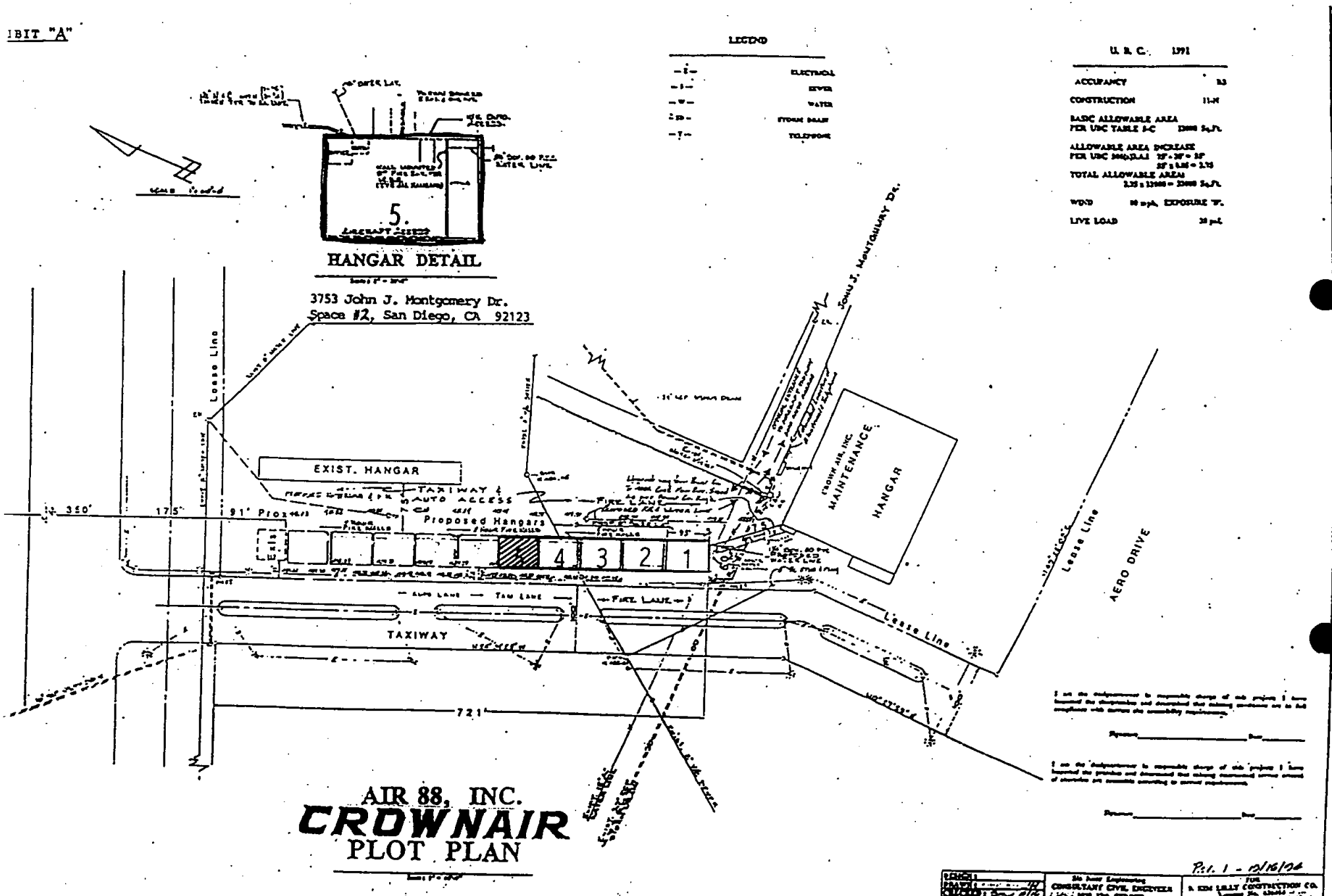
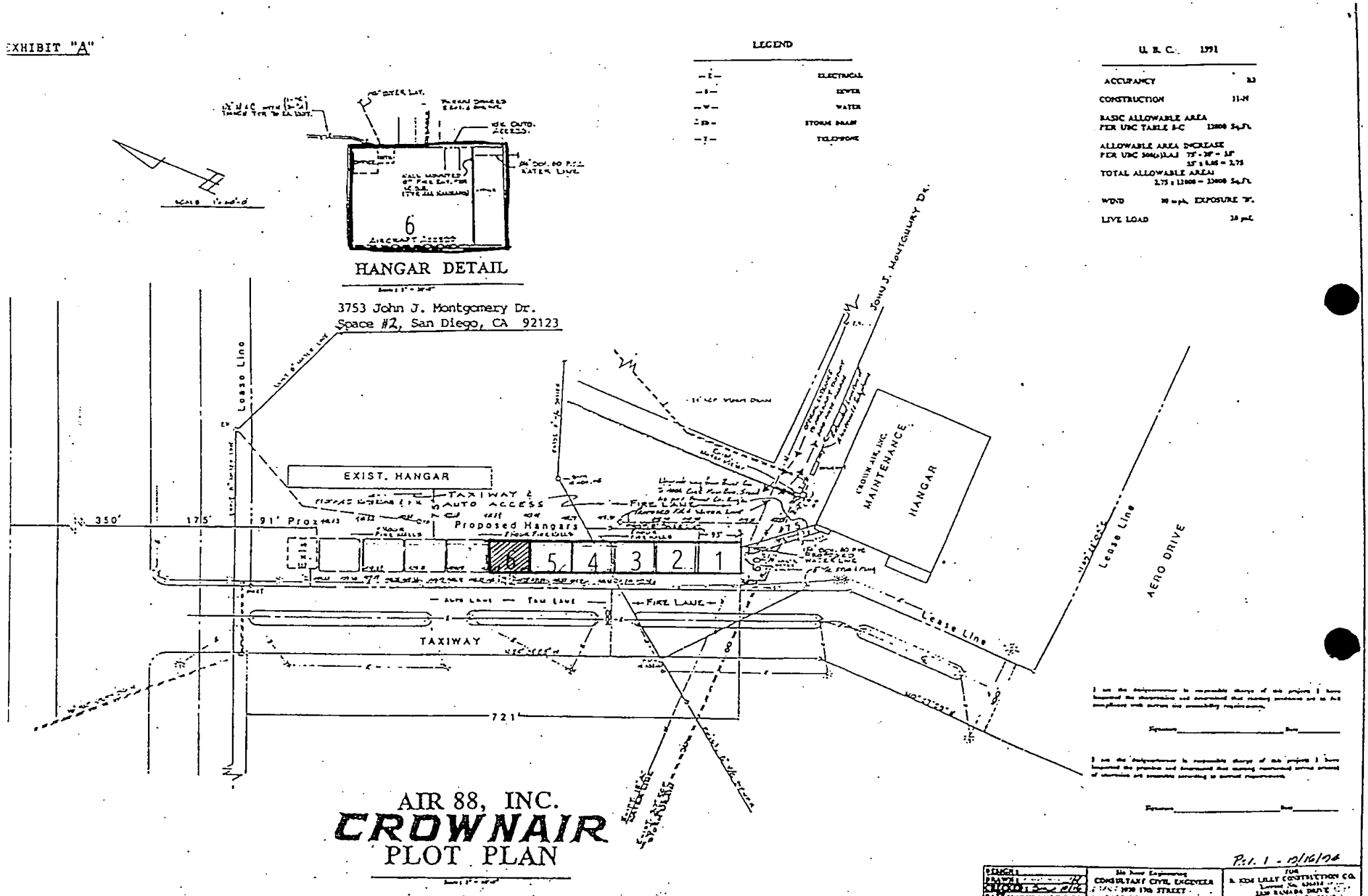


EXHIBIT B

EXHIBIT "A"


LEGEND
ELECTRICAL
SEWER
WATER
STORM DRAIN
TELEPHONE
U. B. C. 1991
OCCUPANCY
CONSTRUCTION
BASIC ALLOWABLE AREA
PER UBC TABLE 5-C
ALLOWABLE AREA INCREASE
PER UBC
TOTAL ALLOWABLE AREA
WIND
LIVE LOAD
HANGAR DETAIL
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123
EXIST. HANGAR
TAXIWAY & AUTO ACCESS
Proposed Hangars
6
5
4
3
2
1
FIRE LANE
TAXIWAY
721'
350'
175'
91'
Lease Line
JOHN J. MONTGOMERY DR.
CROWN AIR, INC. MAINTENANCE HANGAR
AERO DRIVE
AIR 88, INC.
CROWNAIR
PLOT PLAN
P.I. 1 - 10/16/94
CONSULTANT CIVIL ENGINEER
PASO ROBLES, CA 93446
R. KIM LELLY CONSTRUCTION CO.
2340 RANCHO DRIVE
PASO ROBLES, CA 93446

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and ROYAL JET, (SUBLESSEE) executed on November 12, 1996, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following condition: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

CITY OF SAN DIEGO

Dated 18 March 97

By _____
Airports Real Estate Asset Manager

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Dated 3/13/97

By _____
Deputy City Attorney

DLD:dlc

a:royaljet.sub

DOCUMENT NO. 00-18298-7

FILED MAR 20 1997

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to ROYAL JET, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 6.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 6) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 11/12/96 and shall end on 05/31/2016, unless sooner terminated as provided herein. In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond 05/31/2016 As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (THREE HUNDRED SIXTY & 00/100) per MONTH period, payable, in advance, on THE FIRST OF THE MONTH for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of THE FIRST year(s) and at the end of every OTHER year(s) thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following ONE year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft renting. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 6 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 6 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 6 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 3753 JOHN J. MONTGOMERY DR. SAN DIEGO CA 92123 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: HS _____ CC _____

22. vision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, herinafter, "City". An assignment by operation of law shall automatically terminate this lease.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated 06/01/96, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with

said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 2 day of Jan, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GIORGIO CAGLIERO, President

SUBLESSEE:

_____

HADI STEIN
Name (Print)

8355 LA JOLLA SHORE DR
Address

LA JOLLA CA 92037-3039
City *State* *Zip*

619/459-8551
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #6, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and _____ (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and _____ (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

Dated: _____

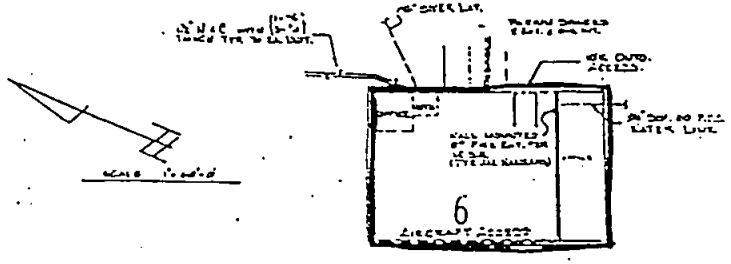
By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____ By: _____
Chief Deputy City Attorney

HIBIT "A"



HANGAR DETAIL

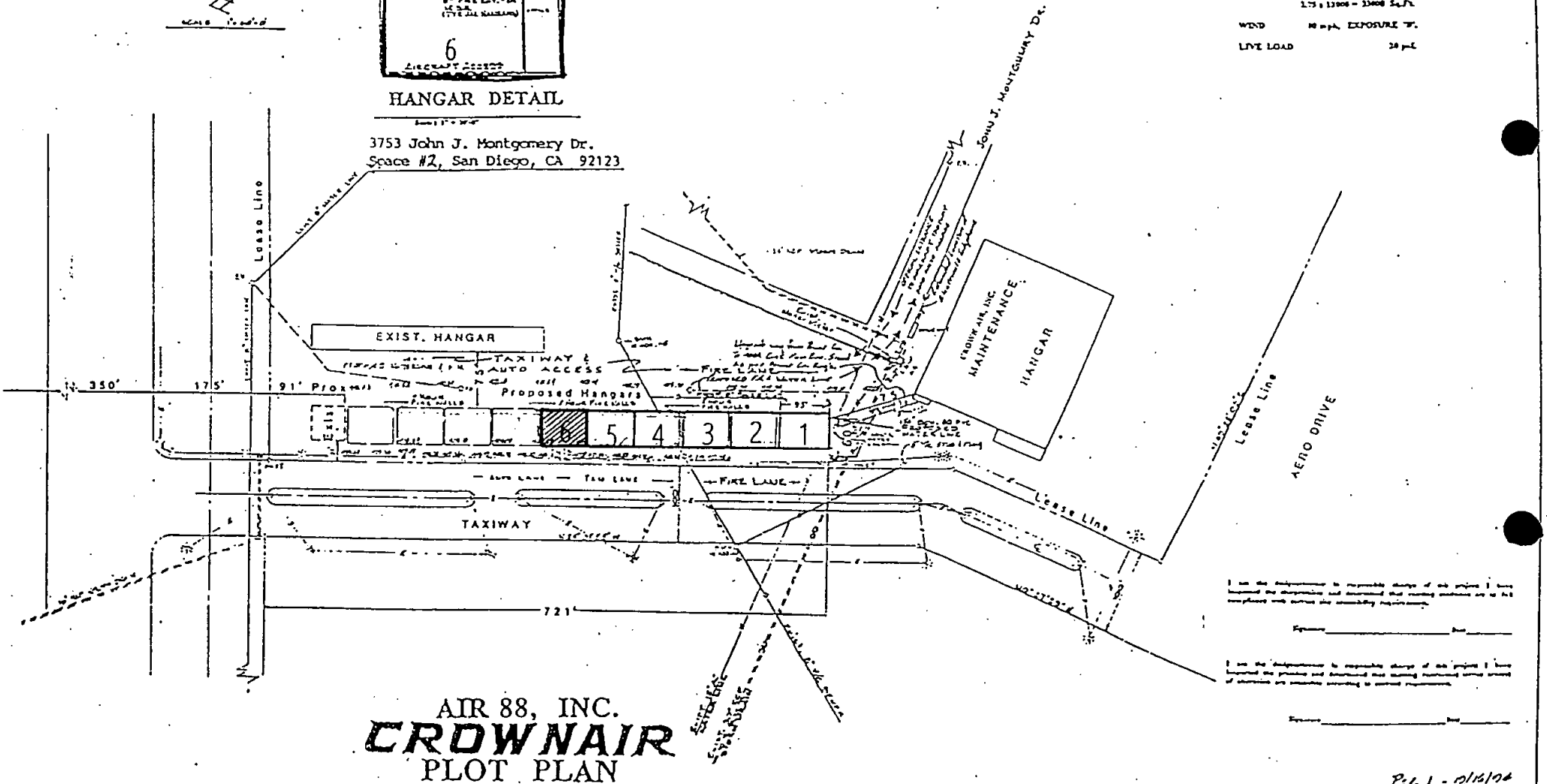
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

OCCUPANCY	B-2
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	13000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 506(b)(1.a.)	75' - 30' = 45' 45' x 1.00 = 2.75
TOTAL ALLOWABLE AREA	2.75 x 13000 = 35800 Sq.Ft.
WIND	80 m.p.h. EXPOSURE "B"
LIVE LOAD	20 p.s.f.



AIR 88, INC.
CROWNAIR
PLOT PLAN

P.C. 1 - 11/16/04

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., d.b.a. CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and Greg Mattson, MD, (SUBLESSEE), for Hangar Space #6 commencing on May 1st, 1999. The Consent is subject to the following conditions:

(1) Subordination: The Sublease will subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

(2) Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements; SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its Improvements on the premises; sublet the improvements; relocate the Improvements, or make major alterations to the Improvements without prior written authorization from the CITY in each instance.

(3) Conditions for Attornment (Section 2. of Sublease): Providing SUBLESSEE is in compliance with its Sublease at such time as CITY terminates the Master Lease early, the CITY agrees to execute a lease agreement with SUBLESSEE for the sublet premise, at the then current appraised market rent, and in accordance with the terms and conditions of the City's then current standard lease agreement and for the term remaining on the Master Lease at its termination.

CITY further agrees to allow SUBLESSEE to temporarily attorn to the CITY, as its SUBLESSEE, under the terms and conditions of the terminated Master Lease until the new lease is executed between CITY and SUBLESSEE, at which time the new lease will supercede the terminated Master Lease and Sublease. SUBLESSEE must sign the new lease and submit the lease required proof of insurance coverage and any deposits to CITY within 60 days after receiving the new lease for signature from CITY, or CITY may terminate Sublessee's tenancy with 30-days prior written notice.

DOCUMENT NO. 00-18298-23

FILED MAY 20 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

THE CITY OF SAN DIEGO

Date: 5-2-99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 5-5-99

By: _____
Deputy City Attorney

File: AIR88hgr21

Air 88, Inc. d.b.a. Crownair

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 - Fax (619) 277-7591

Sublease

Air 88, Inc., d.b.a. Crownair, a California corporation, herein called "Sublessor", hereby subleases to Greg Mattson MD, Inc., herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the ploy map attached hereto as Exhibit B, shown as Space #6.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #6) on the Premises from Royal Jet, Inc. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

   (a) This Sublease shall commence on May 1st, 1999 and shall end on May 31, 2016, unless sooner terminated as provided herein. In the event that the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this Sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

   Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $ 390.00 per month. Ground rent will begin and will be payable on the first (1st) day of the month, for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year, and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non-hazardous waste associated with an aviation business, however, in the event of lease termination and attornment, the City shall not be required to provide a dumpsite. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or any other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy, which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated so as to be a direct or indirect competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notices from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly o indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance. Sublessee shall be insured by an insurance carrier acceptable to Sublessor and City against loss from public liability arising from the use, condition or operations conducted on the leased:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. A Certificate of Insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.
(b) Fire and Extended Coverage insurance, insuring all insurable permanent structure on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.
(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bona fide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bona fide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 210 Coast Blvd., La Jolla, CA 92037. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision

of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: GC _____ _____
Giorgio Cagliero Greg Mattson

22. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possessions or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assigning and subleasing. Sublessee shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

24. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 19th day of March, 1999.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

By: _____
Giorgio Caglliero, President

Sublessee:

_____
Signature

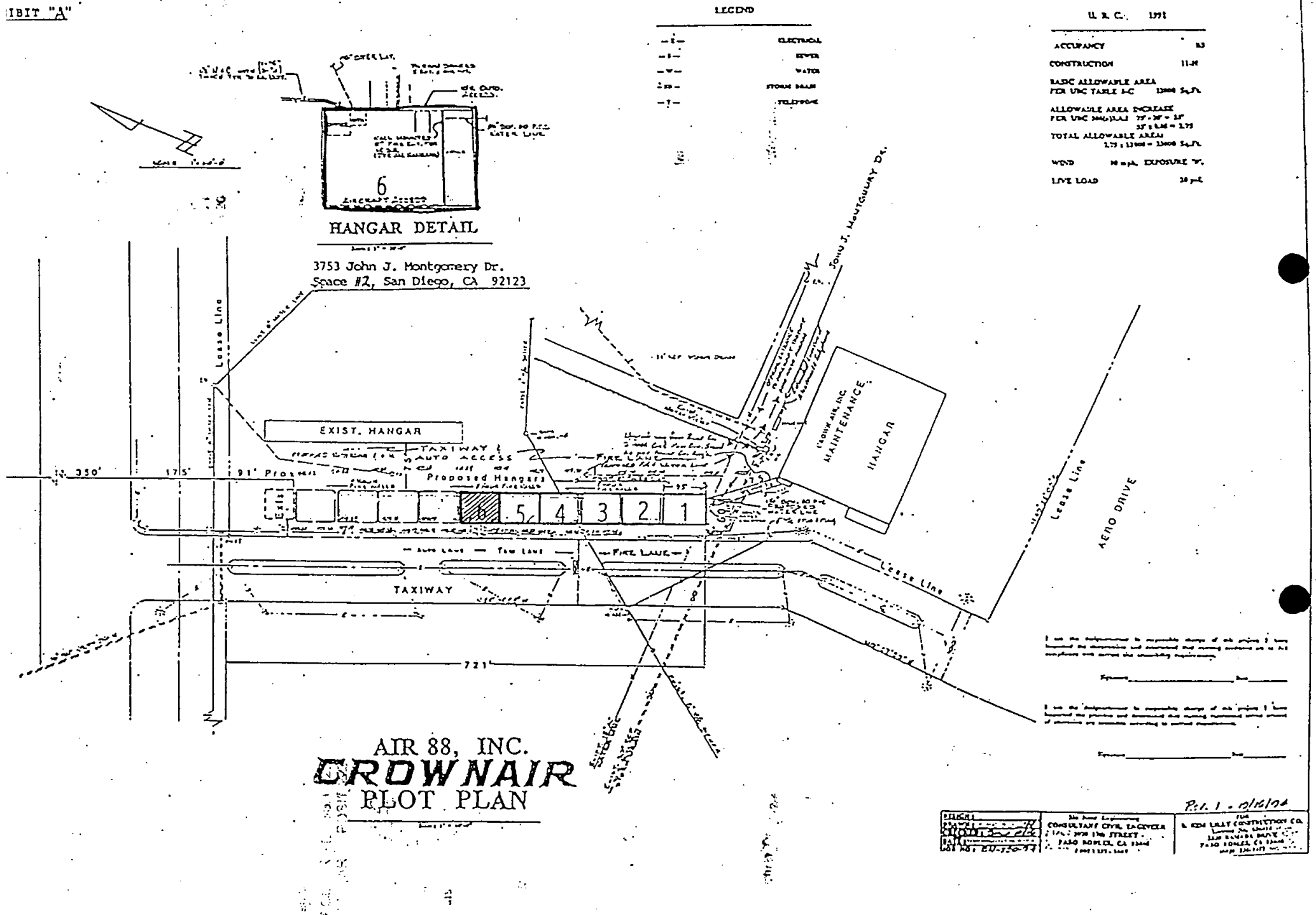
GREG MATTSON
Name

210 COAST BLVD
Address

LA JOLLA, CA 92037
City State Zip

(619) 454-2716
Telephone Number (include area code)

IBIT "A"


LEGEND
ELECTRICAL
SEWER
WATER
STORM DRAIN
TELEPHONE
U. B. C. 1991
OCCUPANCY
CONSTRUCTION
BASIC ALLOWABLE AREA
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ALLOWABLE AREA INCREASE
TOTAL ALLOWABLE AREA
WIND
LIVE LOAD
HANGAR DETAIL
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123
EXIST. HANGAR
TAXIWAY
AUTO ACCESS
Proposed Hangars
FIRE LANE
TAXIWAY
Lease Line
AERO DRIVE
CROWN AIR INC MAINTENANCE HANGAR
JOHN J. MONTGOMERY DR.
350'
175'
91' PROPOSED
721'
AIR 88, INC.
CROWNAIR
PLOT PLAN
P.C. 1 - 01/16/94

Additional Information

Royal Jet, Inc.
El Cajon, California USA

HANGAR SALE / PURCHASE AGREEMENT AND ASSIGNEMENT OF SUBLEASE

For and in consideration of the mutual covenants, conditions and events hereinafter set forth in this HANGAR SALE / PURCHASE AGREEMENT AND ASSIGNEMENT OF SUBLEASE, herein referred to as this AGREEMENT, the undersigned SELLER / ASSIGNOR and PURCHASER / ASSIGNEE do hereby acknowledge and agree as follows:

SELLER / ASSIGNOR:	Royal Jet, Inc., a Nevada corporation 681 Kenney Street El Cajon, California 92020 Telephone: (619) 448-4200 Fax: (619) 448-0100
PURCHASOR / ASSIGNEE:	**GREG MATTSON, MD, INC. PENSION FUND** a California corporation 210 Gast Blvd. La Jolla, CA 92037
LESSEE / SUBLESSOR:	Air 88, Inc., a California corporation d/b/a Crownair 3753 John J. Montgomery Drive San Diego, CA 92123
HANGAR FACILITY:	That particular hangar facility, measuring approximately 60' x 60', inclusive of all buildings and fixtures thereto, which is located at the San Diego Montgomery Field Airport, and which is otherwise know and sometimes referred to as **Hangar No. 6** of the HANGAR SUBLEASE identified below.
HANGAR SUBLEASE:	That particular written SUBLEASE between LESSEE / SUBLESSOR and SELLER / ASSIGNOR of the land underlying the above stated HANGAR FACILITY commencing on 11/12/1996 and ending on 5/31/2016.
CONSIDERATION:	☑ The payment by PURCHASOR / ASSIGNEE to SELLER / ASSIGNOR of the sum of **$200,000.00** in cash or its lawful equivalent; plus ☐ The assignment by SELLER / ASSIGNOR to PURCHASER / ASSIGNEE of the HANGAR SUBLEASE.

EFFECTIVE DATE: The later of the following dates:

- ☐ The date upon which the rights of LESSEE / SUBLESSOR under Paragraph 18 of the SUBLEASE expire by the passage of 15 days subsequent to the receipt by LESSEE / SUBLESSOR of a notice of this AGREEMENT;
- ☐ The date upon which the entire CONSIDERATION has been paid.

Now therefore, it is further acknowledged and agreed as follows:

(1) Subject to all of the conditions set forth in this AGREEMENT, and in consideration of the above specified CONSIDERATION, SELLER / ASSIGNOR hereby agrees to sell, and PURCHASOR / ASSIGNEE hereby agrees to buy the HANGAR FACILITY.

(2) PURCHASOR / ASSIGNEE hereby represents and warrants that said HANGER FACILITY has been inspected either by or on behalf of, and to the full satisfaction of said PURCHASOR / ASSIGNEE, with all faults and defects, if any.

(3) Accordingly, the sale and purchase of said HANGAR FACILITY is on an "as is, where is" basis, with no warranties whatsoever — either expressed or implied.

(4) Subject to all of the conditions set forth is this AGREEMENT, and in consideration of the above specified CONSIDERATION, SELLER / ASSIGNOR hereby agrees to assign to PURCHASER / ASSIGNEE all of SELLER / ASSIGNOR's entire right, title, and interest in the HANGAR SUBLEASE; and PURCHASOR / ASSIGNEE hereby agrees to accept said assignment.

(5) PURCHASOR / ASSIGNEE hereby represents and warrants that said HANGAR SUBLEASE has been examined either by or on behalf of, and to the full satisfaction of said PURCHASOR / ASSIGNEE, and that PURCHASOR / ASSIGNEE, with actual knowledge of the terms thereof, knowingly and willingly accepts the assignment of said HANGAR SUBLEASE.

(6) Upon exchange of the above specified CONSIDERATION, SELLER / ASSIGNOR shall hand over to PURCHASOR / ASSIGNEE all of said HANGAR FACILITY and all rights under the HANGAR SUBLEASE.

(7) Both SELLER / ASSIGNOR and PURCHASOR / ASSIGNEE hereby acknowledge the right of LESSEE / SUBLESSOR under Paragraph 18 of the SUBLEASE to have a right of first refusal of the sale of the HANGAR FACILITY and the assignment of the HANGAR SUBLEASE which is the subject of this AGREEMENT; and further acknowledge that LESSEE / SUBSESSOR shall have 15 days subsequent to notice of this AGREEMENT within which to exercise said right of first refusal. Accordingly, both SELLER / ASSIGNOR and PURCHASOR / ASSIGNEE hereby acknowledge that the sale of the HANGAR FACILITY and the assignment of the HANGAR SUBLEASE which is the subject of this AGREEMENT is null and void in the event that LESSEE / SUBLESSOR exercises said right of first refusal

within the allowable time to do so. Further, both SELLER / ASSIGNOR and PURCHASOR / ASSIGNEE acknowledge that a copy of this AGREEMENT, fully executed by both of them, and hand delivered to LESSEE / SUBLESSOR shall constitute the "same terms and conditions of such offer" which are referred to in said Paragraph 18 of the SUBLEASE.

(8) This AGREEMENT shall become fully executed as of the above stated EFFECTIVE DATE. Prior to said EFFECTIVE DATE, this AGREEMENT shall be fully enforceable by either SELLER / ASSIGNOR or PURCHASOR / ASSIGNEE, subject only to exercise by LESSEE / SUBLESSOR of the right of first refusal contained at Paragraph 18 of the SUBLEASE.

(9) Prior to the EFFECTIVE DATE, the risk of loss of the HANGAR FACILITY and of the HANGAR SUBLEASE shall be upon SELLER / ASSIGNOR.

(10) On and subsequent to the EFFECTIVE DATE, the risk of loss of the HANGAR FACILITY and of the HANGAR SUBLEASE shall be upon PURCHASOR / ASSIGNOR.

(11) Notwithstanding the mutual intent of both SELLER / ASSIGNOR and PURCHASOR / ASSIGNEE that this AGREEMENT be fully executed as of the EFFECTIVE DATE thereof, both of said parties covenant to the other that they will execute such additional documents, and undertake such additional actions as may be required by the City of San Diego, by LESSEE / SUBLESSOR, or by applicable law, to fully complete the transactions which are the subject of this AGREEMENT.

IT IS SO ACKNOWLEDGED AND AGREED:

Date: 3/18/99

Royal Jet, Inc., a Nevada corporation
(herein SELLER / ASSIGNOR)

By: _____
Hadi Stein, President

Date: 3/18/99

GREG MATTSON, MD, INC. PENSION FUND (herein PURCHASOR / ASSIGNEE)

By: _____
Greg Mattson, MD

• • • END • • •

Air 88, Inc. d.b.a. Crownair

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 - Fax (619) 277-7591

Sublease

Air 88, Inc., d.b.a. Crownair, a California corporation, herein called "Sublessor", hereby subleases to Greg Mattson MD, Inc., herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the ploy map attached hereto as Exhibit B, shown as Space #6.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #6) on the Premises from Royal Jet, Inc. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

   (a) This Sublease shall commence on May 1st, 1999 and shall end on May 31, 2016, unless sooner terminated as provided herein. In the event that the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this Sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

   Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $ 390.00 per month. Ground rent will begin and will be payable on the first (1st) day of the month, for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year, and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non-hazardous waste associated with an aviation business, however, in the event of lease termination and attornment, the City shall not be required to provide a dumpsite. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or any other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy, which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated so as to be a direct or indirect competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notices from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly o indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance. Sublessee shall be insured by an insurance carrier acceptable to Sublessor and City against loss from public liability arising from the use, condition or operations conducted on the leased:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. A Certificate of Insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.
(b) Fire and Extended Coverage insurance, insuring all insurable permanent structure on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.
(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bona fide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bona fide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 210 Coast Blvd., La Jolla, CA 92037. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision

of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: GC _____ _____

Giorgio Cagliero Greg Mattson

22. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possessions or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assigning and subleasing. Sublessee shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

24. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 17th day of March, 1999.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

By: _____
Giorgio Cagliero, President

Sublessee:

_____
Signature

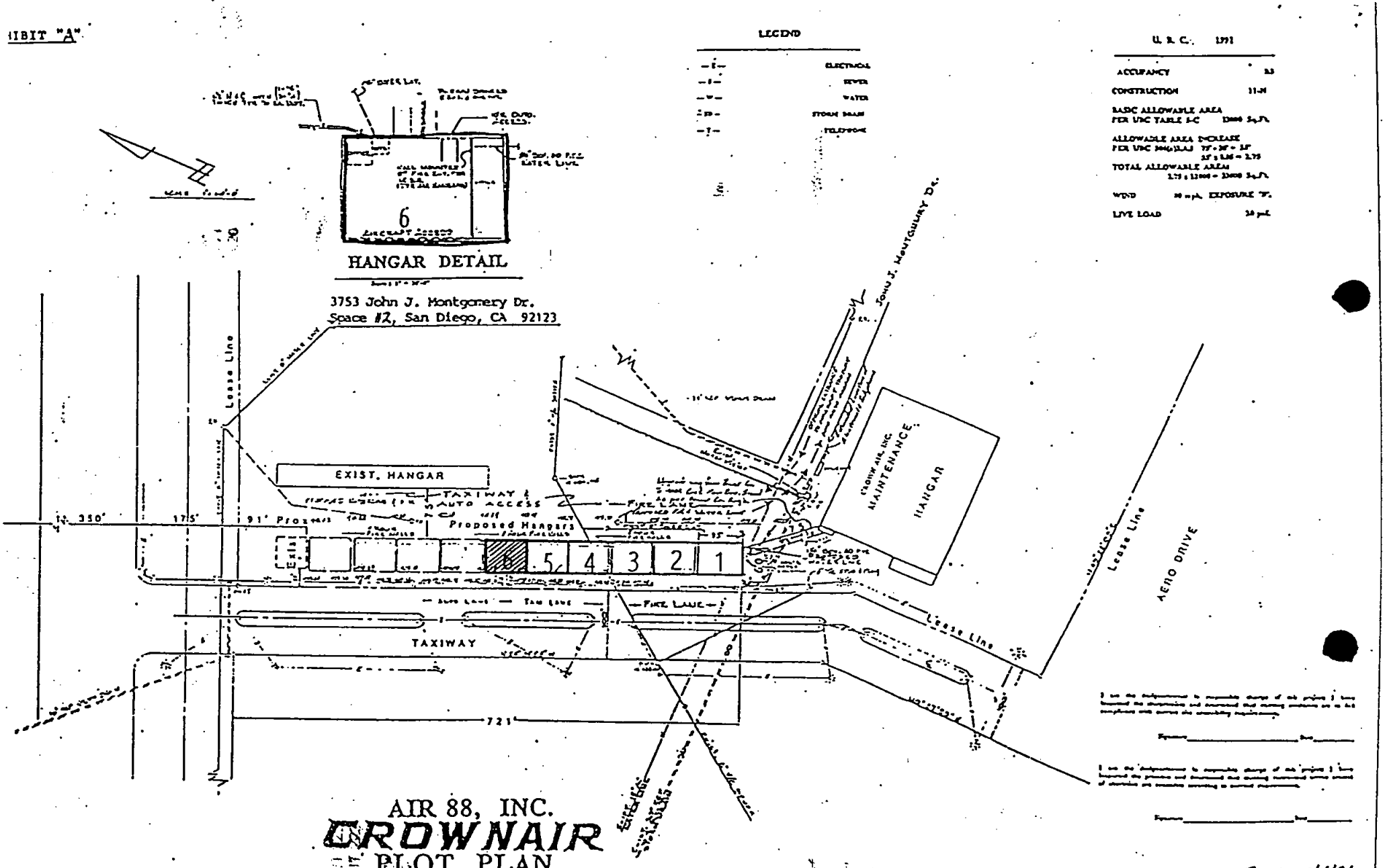
GREG MATTSON
Name

210 COAST BLVD
Address

LA JOLLA, CA 92037
City State Zip

(619) 454-2716
Telephone Number (include area code)

EXHIBIT "A"


LEGEND
ELECTRICAL
SEWER
WATER
STORM DRAIN
TELEPHONE
U. B. C. 1991
OCCUPANCY
CONSTRUCTION
BASIC ALLOWABLE AREA
PER UBC TABLE 5-C
ALLOWABLE AREA INCREASE
TOTAL ALLOWABLE AREA
WIND
LIVE LOAD
HANGAR DETAIL
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123
Lease Line
EXIST. HANGAR
TAXIWAY & AUTO ACCESS
Proposed Hangars
350'
175'
91' Prop.
6
5
4
3
2
1
Exist.
TAXIWAY
721
FIRE LANE
JOHN J. MONTGOMERY DR.
CROWN AIR, INC. MAINTENANCE HANGAR
AERO DRIVE
AIR 88, INC.
CROWNAIR
PLOT PLAN
P.C. 1 - 11/6/02

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on August 7, 2000 between the above LESSEE (SUBLESSOR) and Talon Aviation, LLC (SUBLESSEE) for Hangar Space #7 (Sublet Premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving of SUBLESSOR subleasing to SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the Sublet Premise only for storing aircraft owned by SUBLESSEE and for no other use whatsoever, without prior written approval from the CITY. Helicopter landings/takeoffs must occur at City-approved location(s).

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

DOCUMENT NO. 00- 18298-38
FILED SEP 25 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the Consent to Sublease Agreement amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or
damage, including death suffered by any party or parties from acts or failure by anyone in
connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE) If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 9/20/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 9/19/00

By: _____

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 9/18/00

By: _____
Deputy City Attorney

File: Air88:cst.hgr7

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Talon Aviation LLC**, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #7 also known as Hangar #7.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #7) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and Eighty Four ($384.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

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(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City, including filing fees

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **3969 Fourth Avenue, Third Floor, San Diego, CA 92103-3109**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

_____

Marc D. Lair
Talon Aviation LLC

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 7th **day of August, 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
Marc D. Lair
Talon Aviation LLC

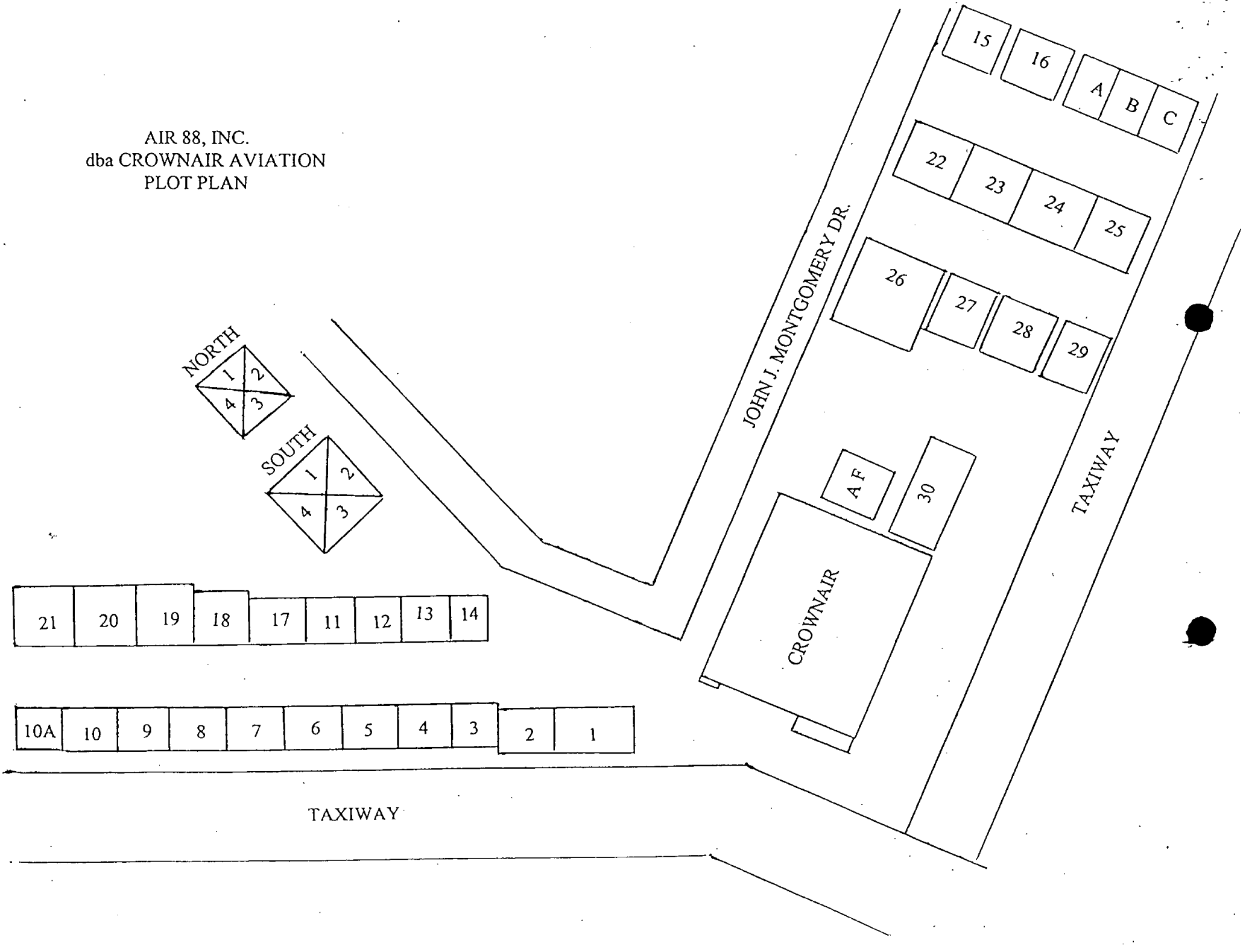
3969 Fourth Avenue, Third Floor
San Diego, CA 92103-3109
800-327-5906 (ph) 619-298-0788 (F)

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 7, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



REAL ESTATE PURCHASE CONTRACT

This PURCHASE AND SALES AGREEMENT entered into the 27th day of July, 2000 by and between OMNI AVIATION OF CALIFORNIA, a California corporation, hereafter referred to as the "Seller", and TALON AVIATION, LLC, a Delaware limited liability company, hereafter referred to as the "Purchaser", sets forth the terms and conditions whereby Seller agrees to sell and Purchaser agrees to buy all rights, title and interest to the real property commonly known as 3753 John M. Montgomery Drive, Hanger #7, San Diego, CA 92123 (the "Property"), and further described in the legal description of the Property attached as Exhibit "A".

PURCHASE PRICE AND TERMS. The purchase price for the Property is payable as follows:

(a) Twenty Thousand ($20,000.00) good faith deposit to be delivered and deposited in Escrow as described below, and

(b) The remaining is to be paid in cash at the Close of Escrow.

TITLE. The Property shall be delivered at the Close of Escrow free and clear of all financial encumbrances. The Property includes all structures and permanent improvements on the land, but excludes all furniture, fixtures and movable items.

GOOD FAITH DEPOSIT AND OPENING OF ESCROW. Within five (5) days after the execution of this Agreement by all parties, the parties will execute escrow instructions with Commonwealth Land Title Company and Talon Aviation, LLC, will place into an interest-bearing escrow account with **Allison-McCluskey** Escrow, the sum of Twenty Thousand Dollars ($20,000.00) as a Good Faith Deposit (the "Deposit"). The Deposit shall be returnable, less costs of escrow fees, at any time as requested by Buyer, on or prior to August 20, 2000, to provide Purchaser time to complete due diligence. In the event the Purchaser continues with the transaction beyond August 20, 2000, the Deposit will be non-refundable, be applied against the purchase price, and be retained by Seller as liquidated damages if Purchaser fails to complete the purchase of the Property.

TITLE EXAMINATION. Seller will deliver to Purchaser a Preliminary Title Report within five (5) days of the execution of this Agreement.

CLOSE OF ESCROW. The parties acknowledge that "time is of the essence" and agree both will work diligently and in good faith to consummate this transaction as quickly as possible. Escrow shall close by September 15, 2000 unless extended by both parties in writing.

A. In the event this Escrow shall fail to close by reason of default, the defaulting party shall be liable for all escrow and title cancellation charges.

B. Seller shall provide at his expense, a standard California Land Title Association Policy with survey coverage issued by First American Title showing title vested in Purchaser, subject only to current property taxes, covenants, conditions, restrictions, and public easements or record. All notes, trust deeds, liens and any monetary obligation will be paid through the Escrow in order to provide the Property to Purchaser free and clear of encumbrances.

C. Exact vesting of Purchaser to be delivered prior to Close of Escrow.

D. All property taxes, insurance premiums and other recurring expenses of the Property are to be prorated at Close of Escrow.

E. Possession of the Property shall be delivered to Purchaser at Close of Escrow.

F. All copies of documents provided by Seller to Purchaser shall be immediately returned to Seller if Escrow shall fail to close for any reason.

ALARM AGREEMENT. The parties shall agree prior to August 20, 2000 on the form of any agreement to be recorded at the Close of Escrow pursuant to the transfer or cancellation of the current Alarm Agreement with Westec Security.

ASSIGNMENT OF SUBLEASE. Prior to September 15, 2000, Seller and Buyer must obtain written consent from the Lessee and the City of San Diego as to the Assignment of the sublease, which shall not be unreasonably withheld.

TENANCY. Buyer is aware that the Property is currently occupied by BTS and understands that BTS Ventures, LLC ("BTS") has the right to occupy the property through January 20, 2001. BTS shall pay for any utilities, maintenance costs and security costs for the hangar space. Seller shall pay for any expenses related to ownership of the hangar, such as real property taxes and rent, up to the closing date, at which time the Buyer will be responsible.

NON-CONTINGENT SALE. Seller is not aware of any soil conditions or environmental issues that would be adverse to Seller. However, the sale is presented as an "as-is" non-contingent sale.

REPRESENTATION AND WARRANTIES

LEGAL PRIORITY. Seller and Purchaser each has the legal power, right and authority to enter into this Agreement.

ABSENCE OF FINDERS. Both parties agree that they shall not subject the other party to any broker's or finder's fees.

PUBLICITY. Neither party shall make any public announcement with respect to the proposed transaction without prior consent from the other, except as required by law.

ATTORNEYS' FEES. The parties agree to utilize and pay their own attorneys' fees in this transaction and agree to arbitrate any dispute in accordance with the rules of the American Arbitration Association.

ENTIRE AGREEMENT. This instrument contains the entire agreement of the parties; any previous understandings between Purchaser and Seller regarding the subject matter of this Agreement are expressly declared void and are superseded by this Agreement.

DISCLAIMER OF SELLER'S WARRANTIES. There are no representations, agreements, arrangements or circumstances, oral or written, between Purchaser and Seller relating to the subject matter contained in this agreement that are not fully expressed in the Agreement, and Seller has not made and does not make any representation or warranty concerning any matter or thing affecting or relating to the Property not expressed in this Agreement. Purchaser warrants that Purchaser is a sophisticated owner and developer of real property. Purchaser has examined the Property, is familiar with its physical condition, and accepts the Property in an "as is" condition. Seller has not made and does not make any representations as to the physical condition of the Property. Purchaser has conducted or will conduct an independent investigation with respect to zoning and subdivision laws, ordinances, and regulations of all governmental authorities having jurisdiction over the Property, and the use and improvement of the Property, and Seller has not made representations to Purchaser on any of these matters.

IN WITNESS WHEREOF, the parties have executed this Real Estate Purchase Contract in San Diego, California, on the dates noted below. This Contract shall be null and void if not signed by Purchaser and returned to Seller by 5:00 p.m. on July 31, 2000.

BUYER:

TALON AVIATION, LLC,
a Delaware limited liability company

By: _____
Marc D. Lair,
Manager

Date: 7/27/2000

SELLER:

OMNI AVIATION OF CALIFORNIA,
a California corporation

By: _____
Richard V. Gibbons,
President

Date: 8/2/00

ORIGINAL DOCUMENT IS PRINTED ON CHEMICAL REACTIVE PAPER & HAS A MICROPRINTED BORDER

UNION BANK OF CALIFORNIA
3900 [redacted]ve Ste 100
San Diego, CA 92103

01016

16-49/1220



TALON AVIATION
3969 FOURTH AVENUE 3rd FLOOR
SAN DIEGO, CALIFORNIA 92103
(619)-296-5220

7/27/2000

PAY TO THE ORDER OF Allison-McCloskey Escrow $ **20,000.00

Twenty Thousand and 00/100********** DOLLARS

Allison-McCloskey Escrow

MEMO Deposit for Hangar #7

THE REVERSE SIDE OF THIS DOCUMENT INCLUDES AN ARTIFICIAL WATERMARK - HOLD AT AN ANGLE TO VIEW

⑈001016⑈ ⑆122000496⑆ 08200237 30⑈

CROWNAIR AVIATION FAXSIMILE MEMORANDUM

To: Diana Drake – City of San Diego

From: Kevin O'Donnell – CFO

Date: 09/15/00

Re: Sale of Hangar #7

VIA FACSIMILE # (858) 279-0536

Attached find several documents showing Mr. Manchester's standing in OMNI Aviation and his authority to sign.

Please note that the escrow has been extended one additional week till next Friday (9/22/00). If the Sublease is not approved by that time the deal will cancelled. This will cause great difficulty and additional expense for both parties.

Please call me ASAP with additional questions.

3753 John J. Montgomery Drive 858-277-1453 858-277-7591 (fax)
San Diego, Ca 92123



MANCHESTER RESORTS
ONE MARKET PLACE THIRTY-THIRD FLOOR
SAN DIEGO, CALIFORNIA 92101
Phone (619) 231-3800
Fax (619) 696-7100

FACSIMILE TRANSMISSION FORM

DATE:	September 15, 2000
TO:	Kevin O'Donnell
TELEPHONE:	858-277-1453
FAX:	858-277-7591
FROM:	Margie Mushkin
TELEPHONE #:	619-231-3800
FAX #:	619-696-7100
RE:	Omni Aviation of California

NUMBER OF PAGES INCLUDING THIS COVER PAGE: 5

Pursuant to your request, attached please find the following information related to Omni Aviation:

- Articles of Incorporation
- Minutes from December 7, 1998 appointing Directors
- Minutes from December 8, 1999 appointing Officers
- Authorization to Transfer Leasehold Interest and Authorization of Officers dated September 14, 2000

Please contact me at (619) 231-3800 x 3319 if you have any questions or require additional information.

Please call (619) 231-3800 ext. 3319 if you do not receive the complete transmission or if you require assistance.

THIS IS A CONFIDENTIAL COMMUNICATION!
This facsimile message is intended for the exclusive use of the addressee and contains confidential, privileged and non-disclosable information. If the recipient of this message is not the addressee, or a person responsible for delivering this message to the addressee, such recipient is prohibited from reading, copying or using this message in any way. If you have received this message by mistake, please call us immediately and destroy the telecopy message.

ACTION TAKEN BY
UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS
OF
OMNI AVIATION OF CALIFORNIA, INC.

Pursuant to action taken by unanimous written consent of the Board of Directors of Omni Aviation of California, Inc., a California corporation, the following resolutions were adopted, effective December 7, 1998, in lieu of the annual shareholders meeting scheduled for this date:

RESOLVED, that the Board of Directors of Omni Aviation, Inc., a California corporation, hereby appoint the following individuals to serve as Directors of the corporation effective December 7, 1998, to serve until the next annual meeting of the shareholders, unless terminated earlier:

Douglas F. Manchester
Richard V. Gibbons
Bradford N. Raulston

Dated: December 7, 1998

Douglas F. Manchester

Richard V. Gibbons

Bradford N. Raulston

1905063

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

DEC 05 1996

BILL JONES, Secretary of State

ARTICLES OF INCORPORATION

I

The name of this corporation is OMNI AVIATION OF CALIFORNIA, INC.

II

The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the GENERAL CORPORATION LAW of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The name and address in the State of California of this corporation's initial agent for service of process is:

Roger S. Manchester, Jr.
3753 John J. Montgomery Drive
Unit #7
San Diego, CA 92123

IV

This corporation is authorized to issue only one class of shares of stock; and the total number of shares which this corporation is authorized to issue is 100,000

RICHARD V. GIBBONS, Incorporator

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and MANCHESTER RESORTS, (SUBLESSEE) executed on September 26, 1996, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following condition: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

CITY OF SAN DIEGO

Dated 3/14/97

BY _____
Airports Real Estate Asset Manager

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Dated 3/11/97

By _____
Deputy City Attorney

DLD:dlc

a:resorts.sub

97 MAR 18 AM 8:55
CITY CLERK
RECEIVED

DOCUMENT NO. 00-18298-6

FILED MAR 18 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.

3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to MANCHESTER RESORTS herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 7 .

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 7) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on JAN 01, 1997 and shall end on 05/31/2016, unless sooner terminated as provided herein. In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred and sixty dollars) per month period, payable, in advance, on 1st day of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of First year(s) and at the end of every other year(s) thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments,

including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements on the premises. Sublessor shall invoice Sublessee for said taxes, and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purpose of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other

facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of

cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_7_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_7_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_7_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _1 Market Place, 33rd Floor, San Diego, CA 92101_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event

of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the

prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 16 day of Sept, 1996

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GEORGIO CAGLIERO, President

SUBLESSEE:

_____
Signature

Douglas F Manchester
Name (Print)

Manchester Resorts

Address

One Market Pl

City San Diego *State* CA *Zip* 92101

Area Code *Telephone No.*
231-3800

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_7_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and _____ (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and _____ (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

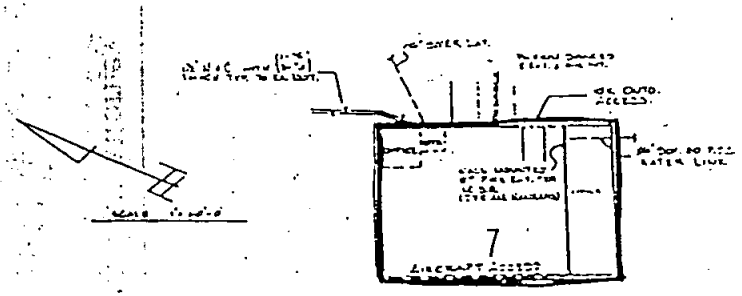
APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____

By: _____
Chief Deputy City Attorney

BIT "A"



HANGAR DETAIL

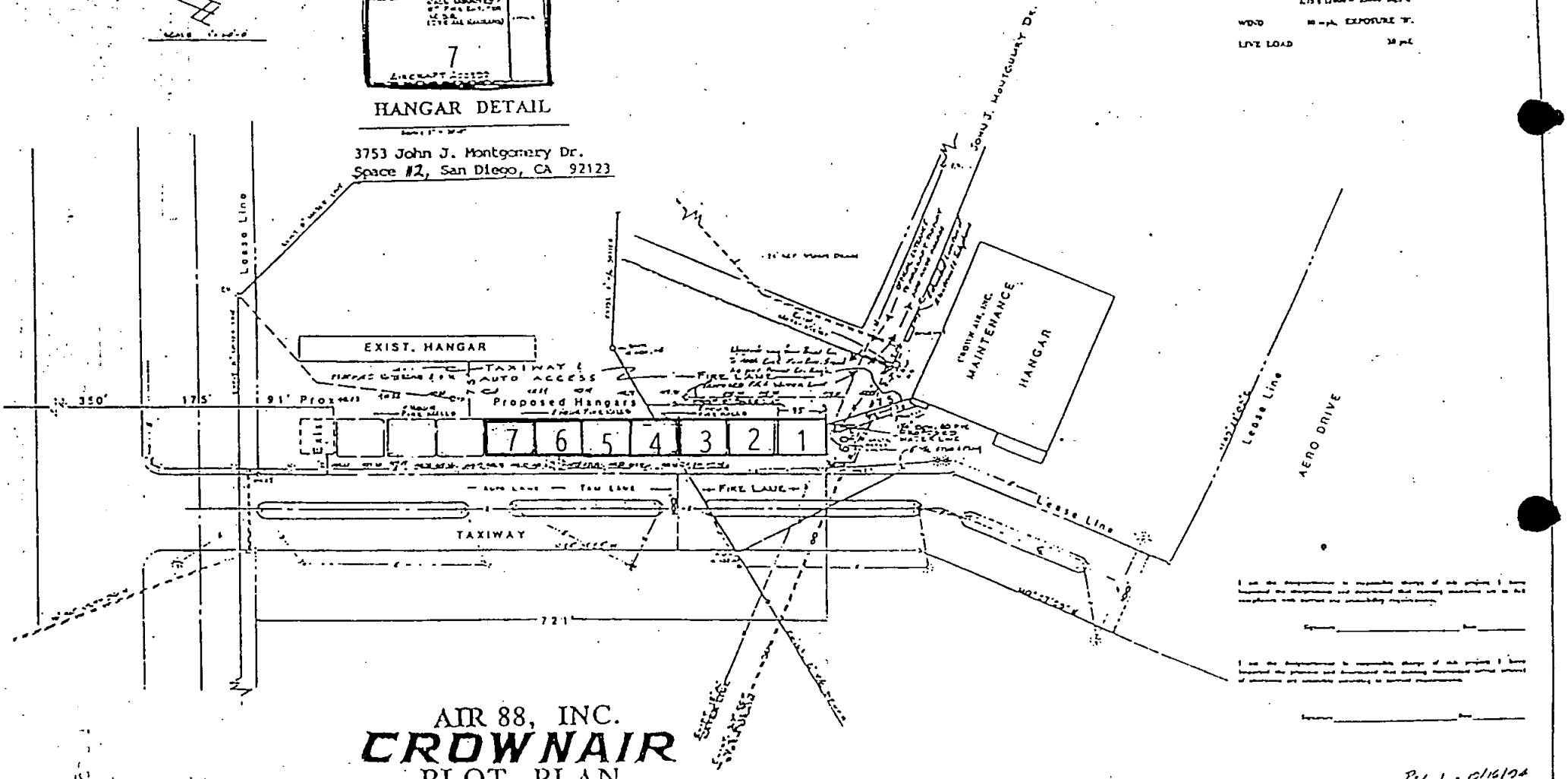
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—D—	STORM DRAIN
—T—	TELEPHONE

U. B. C. 1991

OCCUPANCY	S3
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	13000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 505(b)(2.1)	75' - 30' = 45' 45' x 0.06 = 2.70
TOTAL ALLOWABLE AREA	2.70 x 13000 = 35000 Sq.Ft.
WIND	80 m.p.h. EXPOSURE "B"
LIVE LOAD	20 psf



AIR 88, INC.

CROWNAIR

PLOT PLAN

P.C. 1 - 01/16/92

	CONSULTANT CIVIL ENGINEER	CONSTRUCTION CO.

OMNI AVIATION OF CALIFORNIA, INC.,
a California corporation

WRITTEN CONSENT TO ACTION IN LIEU OF SPECIAL MEETING OF THE BOARD OF DIRECTORS

September 15, 2000

The undersigned, being all of the directors of Omni Aviation of California (the "Corporation"), in lieu of the annual organizational meeting of the Board of Directors of the Corporation, hereby unanimously adopt the following resolutions:

AUTHORIZATION TO TRANSFER LEASEHOLD INTEREST

RESOLVED, that Corporation, by approval of the Corporation's Directors, has approved the transfer of the Corporation's leasehold interest in Hangar Number 7 at Montgomery Field located at 3753 John J. Montgomery Drive, San Diego, CA.

AUTHORIZATION OF OFFICERS

RESOLVED that Richard V. Gibbons, the President of the Corporation, and/or Douglas F. Manchester, the Chairman of the Corporation, have the authority to act on behalf of the Corporation in connection with all transactions in this matter and to sign any and all contracts or documents on behalf of Corporation which relate to, are connected to, or are required for completing the lease transfer of the hangar.

Dated: September 15, 2000

Douglas F. Manchester

Richard V. Gibbons

Bradford N. Raulston

ACTION TAKEN BY
UNANIMOUS WRITTEN CONSENT OF
THE BOARD OF DIRECTORS
OF
OMNI AVIATION OF CALIFORNIA, INC.

Pursuant to action taken by unanimous written consent of the Board of Directors of Omni Aviation of California, Inc., a California corporation, the following resolutions were adopted, effective December 8, 1999, in lieu of the annual shareholders meeting scheduled for that date:

RESOLVED, that the Board of Directors of OMNI AVIATION, INC., a California corporation, hereby appoint the following individuals to serve as Officers of the corporation effective December 8, 1999, to serve until the next annual meeting of the shareholders, unless terminated earlier:

Douglas F. Manchester	Chairman
Richard V. Gibbons	President/Chief Executive Officer
Richard V. Gibbons	Treasurer/Chief Financial Officer
Bradford N. Raulston	Secretary

Dated: December 8, 1999

Douglas F. Manchester

Richard V. Gibbons

Bradford N. Raulston

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and RON VINCI, (SUBLESSEE) executed on February 1, 1997, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following condition: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

CITY OF SAN DIEGO

Dated 3/20/97

By _____
Airports Real Estate Asset Manager

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Dated 3/17/97

By _____
Deputy City Attorney

DLD:dlc

a:ronvinci.sub

DOCUMENT NO. 00-18298
FILED MAR 24 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.

3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to RON VINCI, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 8.

RECITALS

A. Sublessor is the lessee under that certain lease dated January 9, 1989 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 8) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 02/01/97 and shall end on 05/31/2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new

sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $360.00 (Three hundred and sixty dollars) per month period, payable, in advance, on 1st day of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of First year(s) and at the end of every other year(s) thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments,

including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements on the premises. Sublessor shall invoice Sublessee for said taxes, and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purpose of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other

facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of

cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_8_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_8_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_8_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at PO BOX 2695 RANCHO SANTA FE CA 92067 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event

of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the

prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 1ST day of FEBRUARY 19 97

SUBLESSOR:

AIR 88, INC.
a California corporation

by: _____
GIORGIO CAGLIERO, President

SUBLESSEE:

_____

RON VINCI
Name (Print)

P O BOX 2695
Address

RANCHO SANTA FE CA 92067
City *State* *Zip*

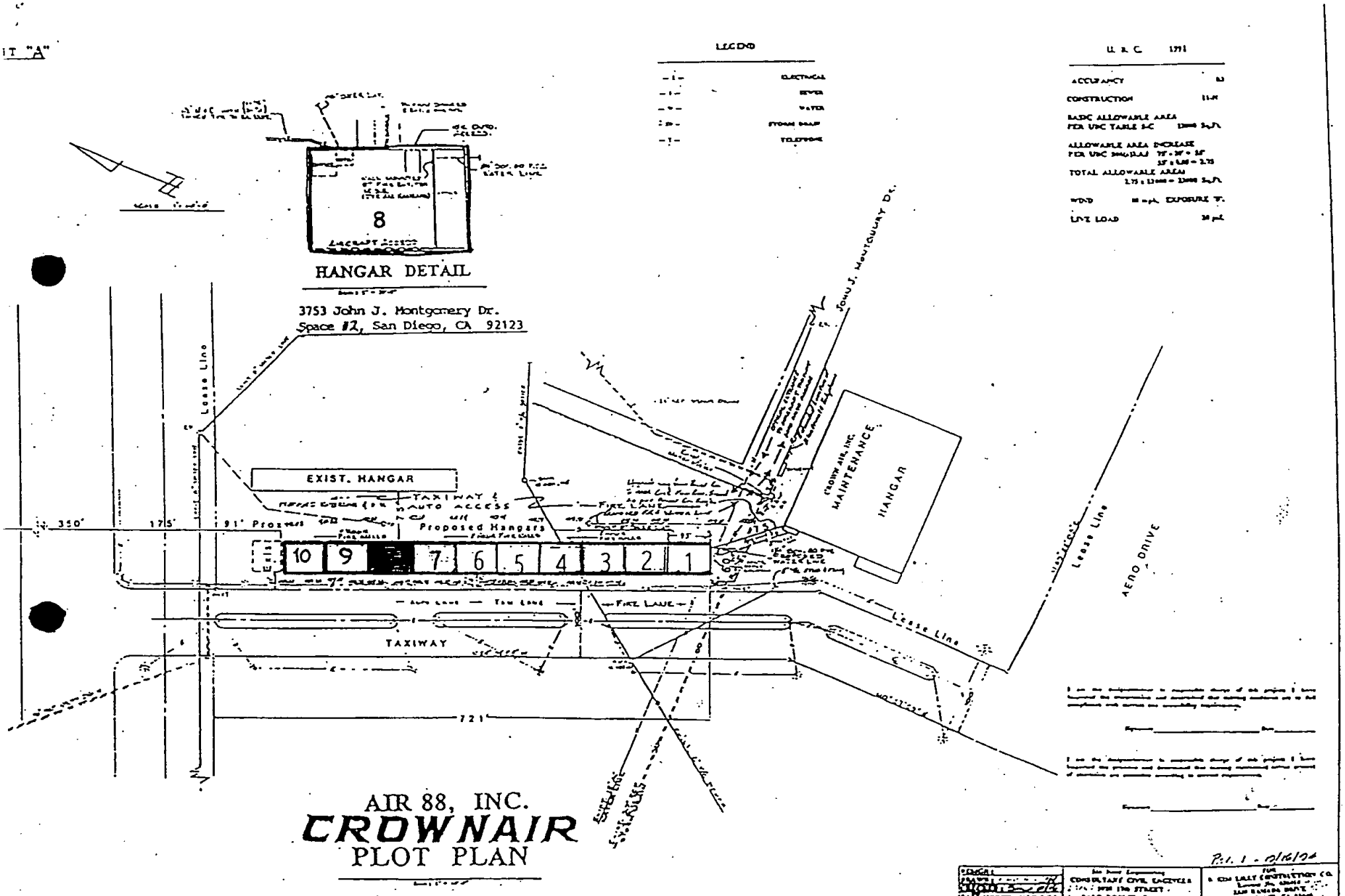
619 / 756-5176
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_8_, San Diego, CA 92123.

IT "A"


LEGEND
ELECTRICAL
SEWER
WATER
STORM DRAIN
TELEPHONE
U. B. C. 1991
OCCUPANCY
CONSTRUCTION
BASIC ALLOWABLE AREA
PER UBC TABLE 5-C
ALLOWABLE AREA INCREASE
PER UBC
TOTAL ALLOWABLE AREA
WIND
LIVE LOAD
8
HANGAR DETAIL
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123
John J. Montgomery Dr.
Lease Line
EXIST. HANGAR
TAXIWAY
AUTO ACCESS
Proposed Hangars
FIRE LANE
CROWN AIR, INC. MAINTENANCE HANGAR
AERO DRIVE
Lease Line
Lease Line
TAXIWAY
350'
175'
91' Prop.
721'
10
9
8
7
6
5
4
3
2
1
AIR 88, INC.
CROWNAIR
PLOT PLAN
P.I. 1 - 01/6/94

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on September 7, 1999 between the above LESSEE (SUBLESSOR) and Sterling Leasing LLC (SUBLESSEE) for Hangar Space #9.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Sterling Leasing LLC, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5.

DOCUMENT NO. 00-18298
MAR 20 2000
FILED
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. **Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.**

b. **Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.**

c. **The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.**

5. **CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.**

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and Sterling Leasing LLC
Hangar Space #9

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/14/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2/1/00

By: _____
Sterling Leasing LLC

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 2/1/00

By: _____
Deputy City Attorney

File:Sterling#9

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Sterling Leasing L.L.C.**, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #9 also known as Hangar #9.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #9) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **February 1, 2000** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $ 390.00 per month. Ground rent will begin and will be payable on the first (1st) day of the month, for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year, and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non-hazardous waste associated with an aviation business, however, in the event of lease termination and attornment, the City shall not be required to provide a dumpsite. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or any other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy, which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft so as to be a direct or indirect competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notices from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly o indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance. Sublessee shall be insured by an insurance carrier acceptable to Sublessor and City against loss from public liability arising from the use, condition or operations conducted on the leased:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. A Certificate of Insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.
(b) Fire and Extended Coverage insurance, insuring all insurable permanent structure on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.
(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bona fide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bona fide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 210 Coast Blvd., La Jolla, CA 92037. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision

of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: GC _____ _____
Giorgio Cagliero Will Wasburn

22. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possessions or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assigning and subleasing. Sublessee shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

24. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 7th day of Sept, 19 99.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

By: _____
Giorgio Cagliero, President

Sublessee:

_____
Signature

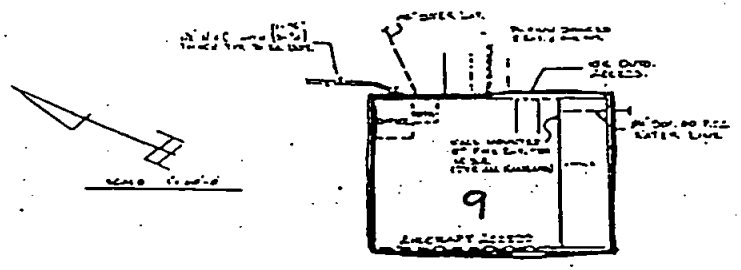
Will Wasburn, Managing Member
Name

4365 Executive Drive Ste. 740
Address

San Diego, CA 92121
City State Zip

(619) 452-4522 extension 110
Telephone Number (include area code)

EXHIBIT "A"



HANGAR DETAIL

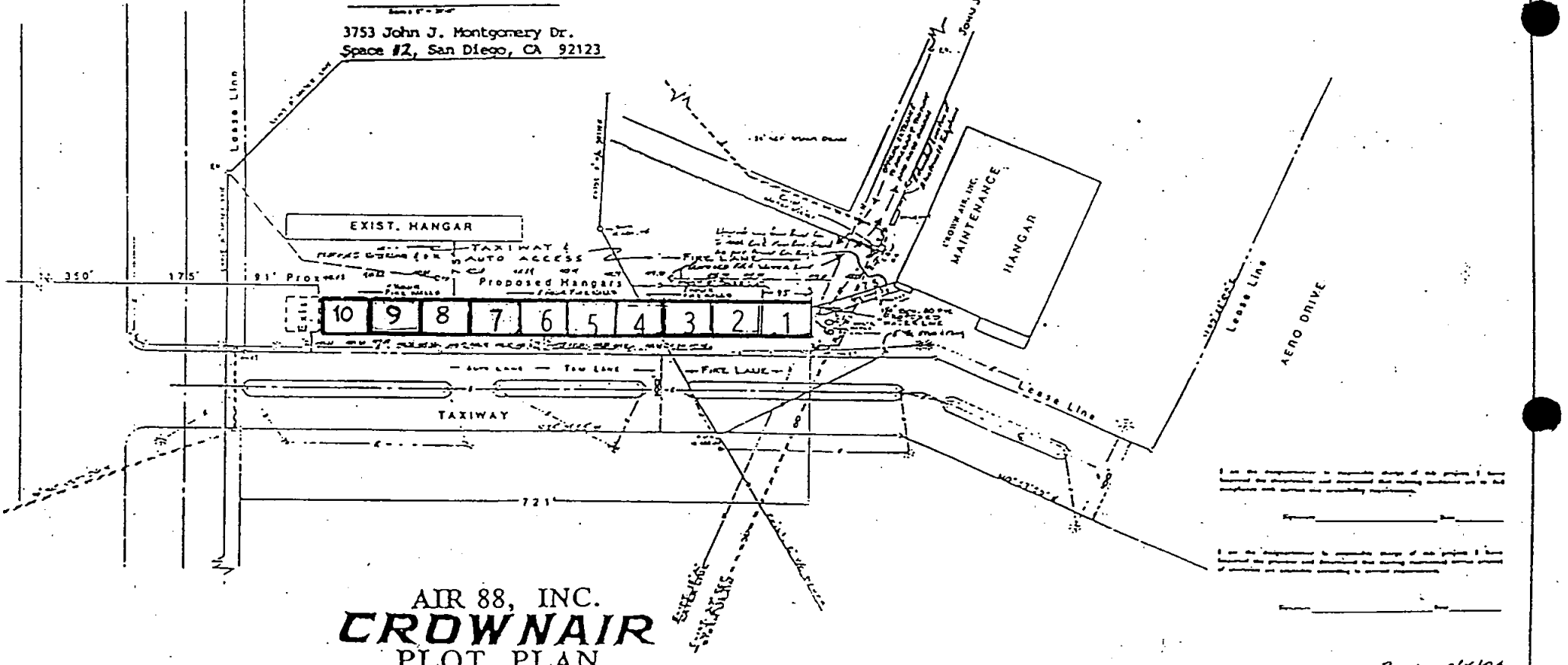
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

-E-	ELECTRICAL
-S-	SEWER
-W-	WATER
-SD-	STORM DRAIN
-T-	TELEPHONE

U. B. C. 1991

OCCUPANCY	B
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	13000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 505(b)(2)	75' - 30' = 45' 45' x 0.20 = 2.70
TOTAL ALLOWABLE AREA	2.70 x 13000 = 35100 Sq.Ft.
WIND	80 m.p.h. EXPOSURE 'B'
LIVE LOAD	20 psf



AIR 88, INC.

CROWNAIR

PLOT PLAN

P.C. 1 - 12/16/94

CONSENT TO SUBLEASE AGREEMENTS

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and Mike Brown, (SUBLESSEE), for Hangar Space #9 executed on June 01, 1997, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost of CITY. CITY has a future interest in the improvements, and SUBLESSEE shall not transfer its ownership of the hangars, relocate the hangars, or make major alterations that would decrease the value of the hangars without prior CITY approval.

THE CITY OF SAN DIEGO

Date: 6/22/98

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: July 1 1998

By: _____
Deputy City Attorney

file:scott.sub

DOCUMENT NO. OO 18298-16

FILED JUL 08 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond September 30, 2025. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (THREE HUNDRED SIXTY DOLLARS) per MONTH period, payable, in advance, on THE 1ST DAY OF EACH MONTH for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of FIRST year(s) and at the end of every OTHER year(s) thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments,

including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements on the premises. Sublessor shall invoice Sublessee for said taxes, and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purpose of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on aircraft not owned, operated, previously sold or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other

facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless and Indemnity. Sublessee shall indemnify, defend and hold Sublessor and City harmless from any claim, liability, cost or damage of any kind allegedly suffered, incurred or threatened because of any act or omission (negligent or non-negligent) by Sublessee, any guest, patron, agent or employee of Sublessee, including but not limited to personal injury, death, property damage or any combination thereof, regardless of whether or not such claim liability, cost or damage was unforeseeable at any time before execution of this Sublease.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverages issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the State of California:

(a) Public liability insurance with a minimum combined single limit coverage of $1,000,000.00. Sublessor and Sublessee shall be named as co-insureds and the City of San Diego shall be named as an additional insured.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of

cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 8 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 8 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 9 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 2600 LOCKHEED WAY CARSON CITY NV 89706 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event

of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: GL _____ _____

22. Attorney's Fees. Should any legal action be commenced between the parties to this sublease concerning the Premises, this sublease, or the rights and duties of either in relation thereto, the party, Sublessor or Sublessee, prevailing in such legal action shall be entitled, in addition to such other relief as may be granted in the legal action, to his reasonable attorney's fees in such legal action which shall be determined by the court in such legal action or in a separate action brought for this purpose.

23. Subleasing or Assigning as Breach. Sublessee shall not encumber, assign, or otherwise transfer this sublease, any right or interest in this sublease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without the express prior written consent of Sublessor and City. Neither shall Sublessee sublet the Premises or any part thereof or allow any other person, other than Sublessee's agents, guests, and employees, to occupy the Premises or any part thereof without the prior written consent of Sublessor and City. A consent by Sublessor and City to one assignment, one subleting, or one occupation of the Premises by another person shall not be deemed to be a consent to any subsequent assignment, subleting, or occupation of the Premises by another person.

Any voluntary encumbrance, assignment, transfer, or subleting without the

prior written consent of Sublessor, is reason for cancellation of this sublease at the option of Sublessor. To terminate this sublease, Sublessor must give Sublessee 30 days written notice to resolve problem. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California, on the 01 day of June de 1997.

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO. President

SUBLESSEE:

Signature

MIKE BROWN
Name (Print)

2600 LOCKHEED WAY
Address

CARSON CITY, NV 89706
City *State* *ZIP*

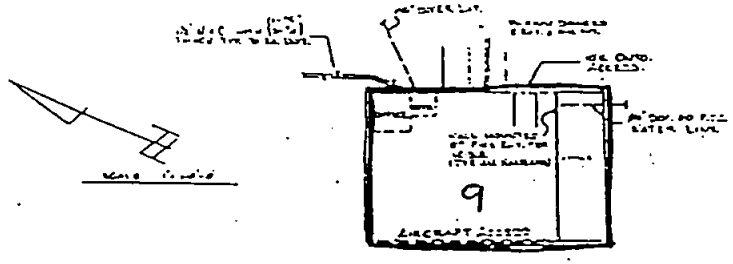
702 882-7834
Area Code *Phone* *Number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_9_, San Diego, CA 92123.

17 "A"



HANGAR DETAIL

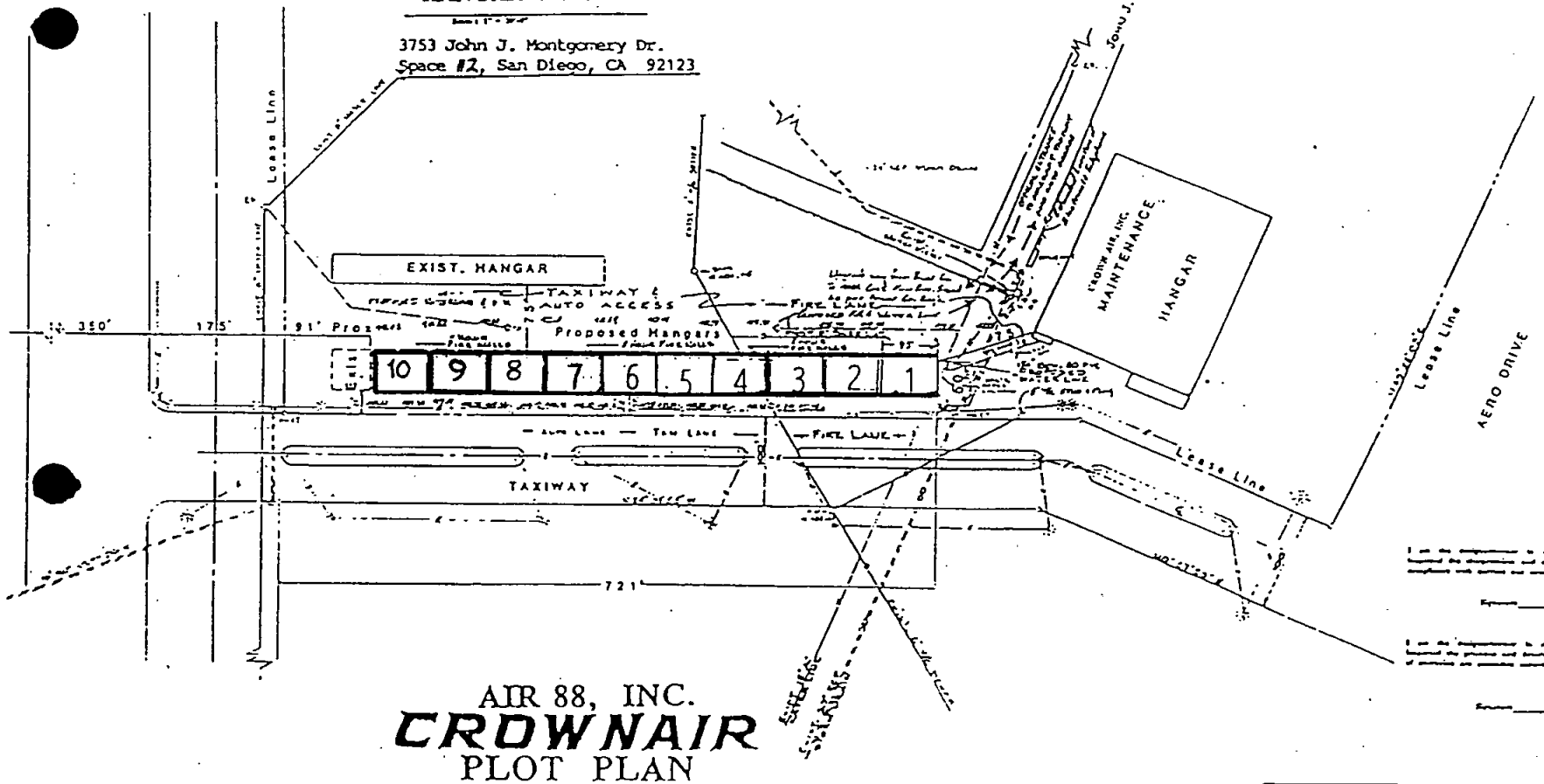
3753 John J. Montgomery Dr.
Space #2, San Diego, CA 92123

LEGEND

-E-	ELECTRICAL
-S-	SEWER
-W-	WATER
-D-	STORM DRAIN
-T-	TELEPHONE

U. B. C. 1991

OCCUPANCY	B
CONSTRUCTION	II-N
BASIC ALLOWABLE AREA PER UBC TABLE 5-C	13000 Sq.Ft.
ALLOWABLE AREA INCREASE PER UBC 505(b)(2)	75' - 30' = 45' 45' x 0.50 = 2.25
TOTAL ALLOWABLE AREA	2.25 x 13000 = 29250 Sq.Ft.
WIND	80 m.p.h. EXPOSURE 'B'
LIVE LOAD	20 psf



AIR 88, INC.

CROWNAIR

PLOT PLAN

P.C. 1 - 01/16/92

Attach to Stein's Sublease - Art 88

MARCH 24, 1998

STATUS OF FAA INVESTIGATION OF HADI STEIN, OWNER OF ROYAL JET, INC.

I SPOKE WITH FAA INSPECTOR, **TYRONE PARKS, AT (619) 557-5281 EXT. 222**, WHO IS HANDLING THE CASE. THE COMPLAINTS HAVE BEEN APPEALED AND HE DOES NOT EXPECT A DECISION AND ACTION FOR APPROXIMATELY A YEAR.

THE ACTION WOULD BE A SUSPENSION, NOT REVOKATION OF THE LICENSE.

Original

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to that certain Sublease Agreement executed between the LESSEE (SUBLESSOR) and JON S. GILBERT (SUBLESSEE), commencing retroactive on June 1, 1997, for Hangar Space #10, as shown on Exhibit B in the Sublease, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Consent to Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

1. As a reminder to all parties in this sublease, SUBLESSEE must at City's option quit claim its ownership in the hangar and all other improvements and personal property on the premises in accordance with Section 6.10, Ownership of Improvements and Personal Property in the Master Lease, at no cost to City.

2. In the event the lease agreement is terminated CITY shall allow SUBLESSEE to attorn to CITY as further described in Paragraph 2. Term (c) of the Sublease.

THE CITY OF SAN DIEGO

Date: 9-24-97

By: _____
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 9-30-97

By: _____
Deputy City Attorney

gilbert.sub

DOCUMENT NO. 00-18298-10
FILED OCT 06 1997
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to JON S. GILBERT, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' X 50'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 10.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 10) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 06/01/97 and shall end on May 31, 2016, unless sooner terminated as provided herein. In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2026. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City's approval, additional uses of the Premises may be allowed: ~~aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever.~~ Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_10_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_10_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_10_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 5505 Morehouse Drive, #300, San Diego, CA 92121. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 19TH day of DECEMBER, 1996

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Joel Gilbert
Signture

JOEL S GILBERT
Name (Print)

5505 Morehouse, Suite 300
Address

San Diego, CA. 92121
City *State* *Zip*

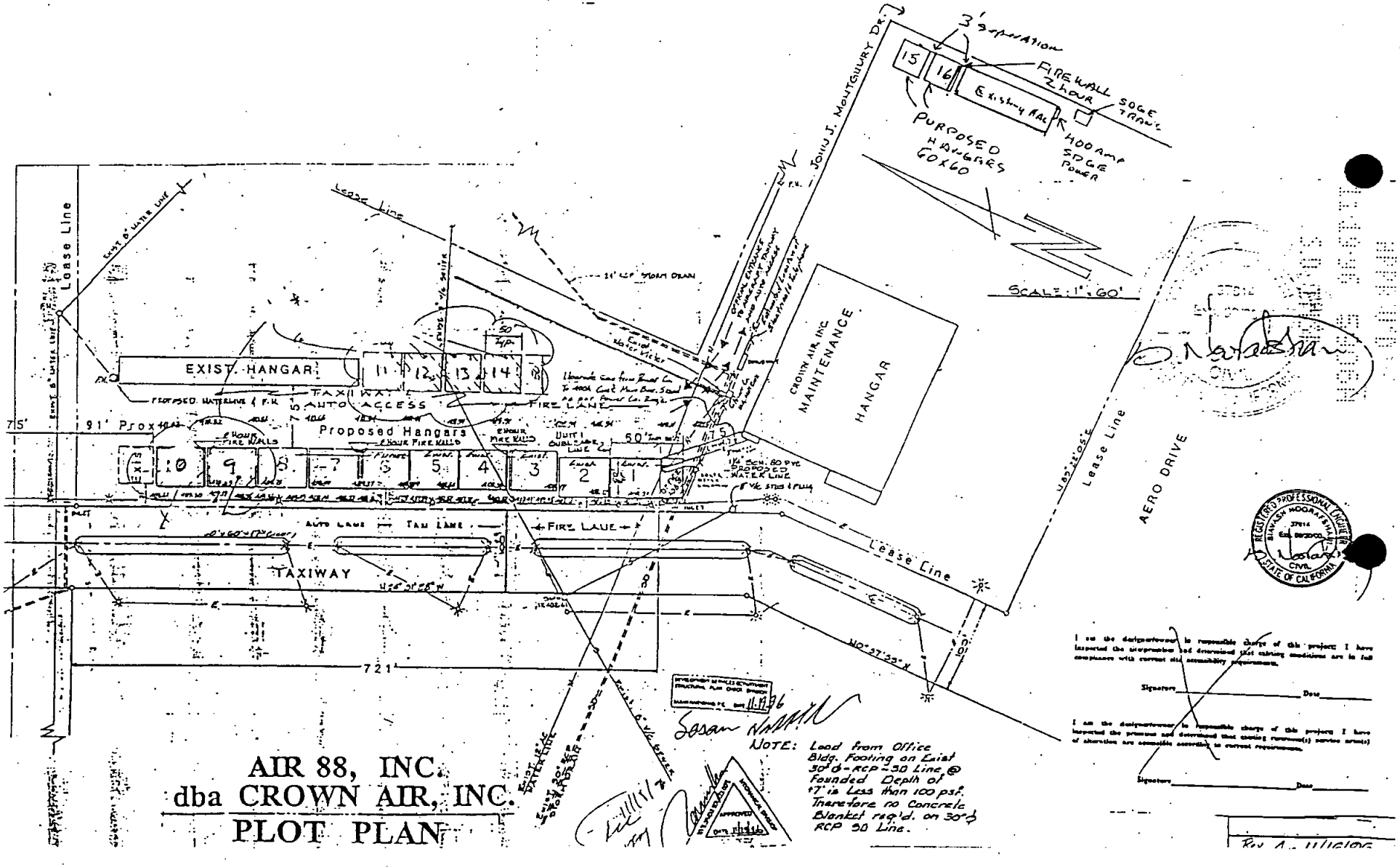
619 552-6403
area code *phone number*

NOTE:
THIS IS ALL CITY AIRPORT PROPERTY. ALL EASEMENTS SUBJECT TO CITY LEASE WITH TENANT. ON CITY PROPERTY EASEMENTS ARE NOT RECORDED.

—E—	ELECTRICAL
—S—	SEWER
—W—	WATER
—SD—	STORM DRAIN
—T—	TELEPHONE

OCCUPANCY : S5

ROOF D.L. : 3 psf.
ROOF L.L. : 20 psf.
SEISMIC DESIGN : ZONE 4



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

NOTE: Load from Office Bldg. Footing on East 30"ϕ-RCP-30 Line @ Founded Depth of 17' is Less than 100 psf. Therefore no Concrete Blanket req'd. on 30"ϕ RCP 30 Line.

I am the designer-in-responsible charge of this project. I have inspected the site/premises and determined that existing conditions are in full compliance with current and accessibility requirements.

Signature _____ Date _____

I am the designer-in-responsible charge of this project. I have inspected the premises and determined that existing conditions are in full compliance with current and accessibility requirements.

Signature _____ Date _____

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC. dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to those certain Sublease Agreements executed between the above LESSEE (SUBLESSOR) and KIM LILLY, dba AIRPORTS RENTAL & LEASING CO., (SUBLESSEE), on June 1, 1997, for Hangar Spaces #11 & 12, attached hereto.

Said Subleases shall be subordinate to the Master Lease in all respects, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Subleases. The CITY is not bound by any term or condition in the Subleases which in any way conflicts with, or is additional to, the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. Subletting: CITY must approve further subletting of all or any portion of the premises. SUBLESSEE shall submit each rental agreement to SUBLESSOR and SUBLESSOR shall forward each rental agreement to CITY for its prior written approval, along with a check made payable to "City Treasurer" for CITY'S standard processing fees.

2. Rent: CITY, or any other successor (TRANSFEREE) to LESSEE, who obtains legal possession of the leasehold through foreclosure, assignment, termination of lease, or any other legal action, shall not be bound by the rent stated in Section 3. Ground Rent. TRANSFEREE may increase the ground rent to market rent periodically by serving SUBLESSEE with a prior 60-day written notice by U.S. First Class mail. Said market rent, at City's sole option, shall be determined by a current fee appraisal or based on a survey of current hangar lease rents in Southern California on General Aviation Airports.

3. Ownership of Improvements on Premises: SUBLESSEE is aware that ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. CITY has a future interest in the improvements, and SUBLESSEE shall not transfer its ownership of the hangars, relocate the hangars, or make major alterations that would decrease the value of the hangars without prior CITY approval.

THE CITY OF SAN DIEGO

Date: Nov 3, 1997

By: Jack R. Williams
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 11/14/97

By: Will C. K
Deputy

DOCUMENT NO. OO-08298

FILED NOV 19 1997

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

a:airrental.sub

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Airport Rental & Leasing Company, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' X 50'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 11.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 11) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on June 1, 1997 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is

extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 10% of tenant rental rate per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 11 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

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6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the

structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this

Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee

commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_11_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_11_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_11_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _P.O. Box 1885, Paso Robles, CA 93447_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The

expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease

Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 6 day of June, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

KIM LILLY- AIRPORT RENTAL & LEASING CO.
Name (Print)

2320 RAMADA DR.
Address

PASO ROBLES CA 93446
City *State* *Zip*

800/ 235-4141
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_11_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and _____ (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and _____ (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

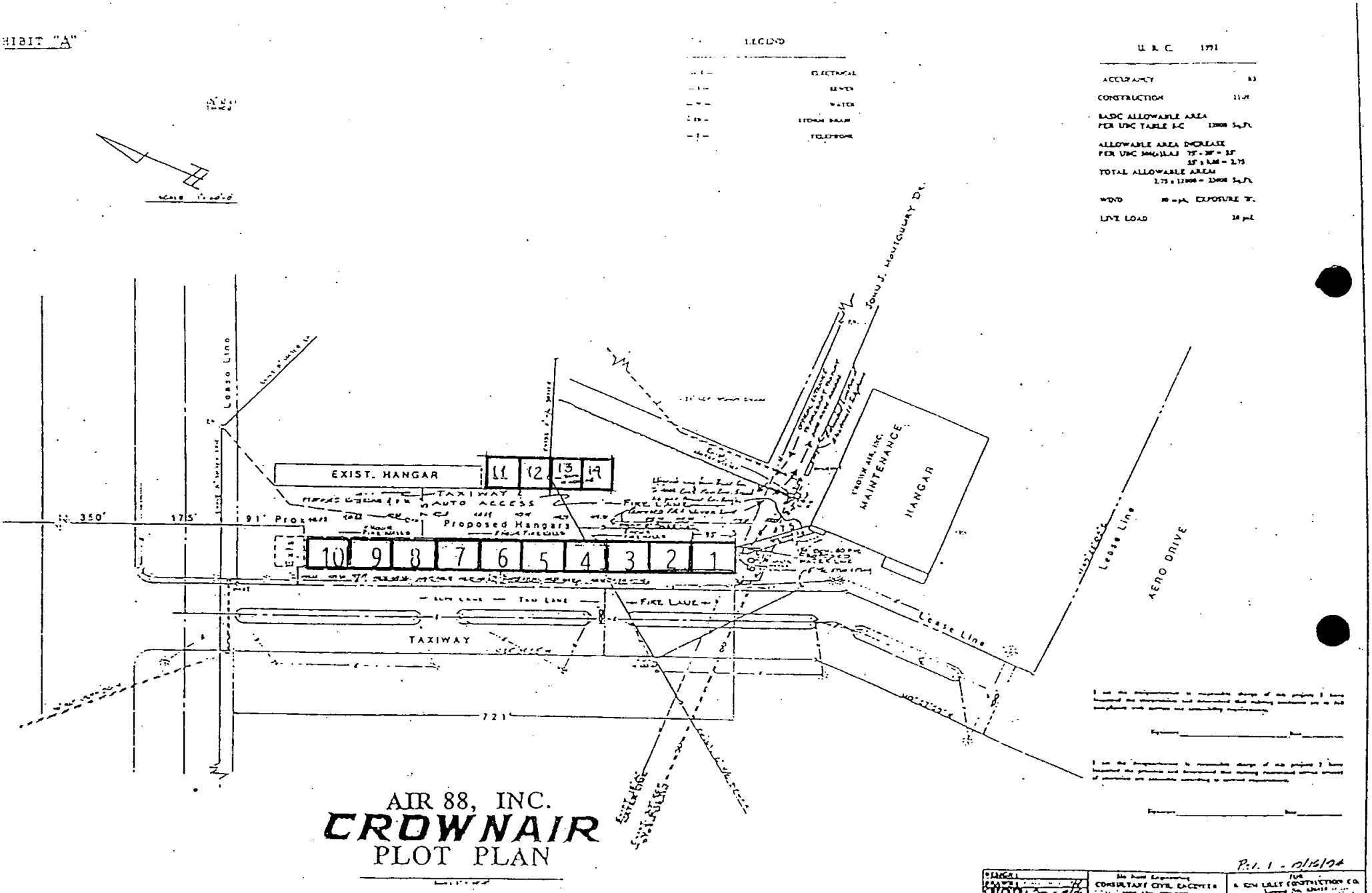
Dated: _____ By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____ By: _____
Chief Deputy City Attorney

HIBIT "A"



AIR 88, INC.

CROWNAIR

PLOT PLAN

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1918
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSOR, and

SUBLESSEE, Inteq Software (NAME) 550 West "C", Suite 2040 (ADDRESS)

San Diego (CITY) CA (STATE) 92101 (ZIP) (619) 231-3300 (BUSINESS PHONE)

(619) 231-3301 (FAX NUMBER) (AIRCRAFT ID NUMBER)

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSOR of the City of San Diego, a Municipal Corporation, hereinafter referred to as the "city", on the city-owned airport property; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to AIRPORT RENTAL & LEASING a Lease for the use of Aircraft Hangar spaces in an area known as CrownAir Leasing. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars of the CrownAir Leasing area for sale and lease. SUBLESSEE is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBLESSEE that

that portion of AIRPORT RENTAL & LEASING's ramp designated CROWNAIR'S space number 11, and the Port-A-Port hangar, Serial # 4846, thereon.

3. **Rent:** SUBTENANT shall pay SUBLESSEE, as rent, the sum of ~~$ 575.00~~ 500.00 plus tax per month, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSEE. The rental amount due the SUBLESSEE by the SUBTENANT shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBTENANT does not pay the SUBLESSEE by the TENTH (10th) day of any month, the SUBTENANT shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT ARE DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBTENANT may apply said Rent Deposit towards the last month's rent.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBTENANT and is a MONTH TO MONTH LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on December 1, 1997.

5. **HOLDING OVER:** In the event SUBTENANT shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSEE. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBTENANT not be ready to vacate the space on the date of termination, SUBLESSEE may, at his sole discretion, allow SUBTENANT to remain on a day

to day basis rescindable without notice. SUBTENANT agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBTENANT must provide a Certificate of Insurance to SUBLESSEE with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSEE will not be responsible for damages to aircraft parked on its facilities.

7. **Prohibited Activities** The hangar and space subleased herein shall be used solely for the storage or aircraft and related equipment. The following activities are strictly prohibited:

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

8. **Utilities** The SUBTENANT shall pay AIRPORT RENTAL &

LEASING for electric. / used on the leased premises. AIRPORT RENTAL & LEASING will provide a submeter to meter electrical use and bill at same rate San Diego Gas & Electric charges. Other utilities, trash and phone, must be purchased from the utility directly by SUBTENANT. (No water or sewer is available at this time.) Such utilities shall include, but not be limited to, electrical power to the hangars. SUBTENANT must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBTENANT shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSEE. Any signs which the SUBTENANT desires to install shall be submitted first to the SUBLESSEE for approval as to number, design, size, color and location. The SUBLESSEE shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSEE and the Airport Director shall not relieve the SUBTENANT from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBTENANT shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBTENANT default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSEE shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSEE under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBTENANT shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBTENANT hereby agrees to defend, indemnify and save harmless the SUBLESSEE, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBTENANT'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSEE shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBTENANT, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBTENANT hereby releases and discharges SUBLESSEE from any and all claims and demands of SUBTENANT for loss or damage to SUBTENANT'S property or injury to SUBTENANT'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBTENANT, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBTENANT further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSEE** In addition to other rights hereunder or by law, the SUBLESSEE may terminate the Lease in whole or in part upon written notice to the SUBTENANT upon or after any of the following events:

a) SUBTENANT files a voluntary petition in bankruptcy;

b) SUBTENANT is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBTENANT and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBTENANT'S assets is appointed; and

e) SUBTENANT is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBTENANT SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HERE- UNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 16 day of April, 1998

SUBLESSEE:
AIRPORT RENTAL & LEASING
By: _____
* Construction material to be stored in extra space.

SUBTENANT:
~~Data Tree Corp~~ INTEG
By: _____
Harish K. Chopra of Data Tree Corp

Rent deposit received $ 600.-

( ) ( )
Initial Initial

5/97

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1885
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSEE, and

SUBTENANT, Larry Lawrence
COMPANY NAME

6309 Hartley Drive — La Jolla, CA 92037
ADDRESS — CITY STATE ZIP

619/454-4707
BUSINESS PHONE — FAX NUMBER — AIRCRAFT ID NUMBER

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSEE of the Air 88 dba. CrownAir Inc. of San Diego, a Corporation, hereinafter referred to as the Sublessor, on the city-owned airport property, Montgomery Field; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to CrownAir and CrownAir granted a lease for the use of Aircraft Hangar spaces in an area known as CrownAir Inc. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars on the CrownAir Lease area for sale and lease. SUBTENANT is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBTENANT

that portion of AIRPORT RENTAL & LEASING's ramp designated CROWNAIR'S space number 11, and the Port-A-Port hangar, Serial # 4846, thereon.

3. **Rent:** SUBTENANT shall pay SUBLESSEE, as rent, the sum of $ ~~525.00~~ 500.00 OR 450 per month, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSEE. The rental amount due the SUBLESSEE by the SUBTENANT shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBTENANT does not pay the SUBLESSEE by the TENTH (10th) day of any month, the SUBTENANT shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT ARE DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBTENANT may apply said Rent Deposit towards the last month's rent.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBTENANT and is a MONTH TO MONTH LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on December 1, 1997.

5. **HOLDING OVER:** In the event SUBTENANT shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSEE. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBTENANT not be ready to vacate the space on the date of termination, SUBLESSEE may, at his sole discretion, allow SUBTENANT to remain on a day

to day basis rescindable without notice. SUBTENANT agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE:** SUBTENANT must provide a Certificate of Insurance to SUBLESSEE with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSEE will not be responsible for damages to aircraft parked on its facilities.

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d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

8. **Utilities** The SUBTENANT shall pay AIRPORT RENTAL &

LEASING for electricity used on the leased premises. AIRPORT RENTAL & LEASING will provide a submeter to meter electrical use and bill at same rate San Diego Gas & Electric charges. Other utilities, trash and phone, must be purchased from the utility directly by SUBTENANT. (No water or sewer is available at this time.) Such utilities shall include, but not be limited to, electrical power to the hangars. SUBTENANT must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBTENANT shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSEE. Any signs which the SUBTENANT desires to install shall be submitted first to the SUBLESSEE for approval as to number, design, size, color and location. The SUBLESSEE shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSEE and the Airport Director shall not relieve the SUBTENANT from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBTENANT shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBTENANT default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSEE shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSEE under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBTENANT shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBTENANT hereby agrees to defend, indemnify and save harmless the SUBLESSEE, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBTENANT'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSEE shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBTENANT, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBTENANT hereby releases and discharges SUBLESSEE from any and all claims and demands of SUBTENANT for loss or damage to SUBTENANT'S property or injury to SUBTENANT'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBTENANT, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBTENANT further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

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a) SUBTENANT files a voluntary petition in bankruptcy;

b) SUBTENANT is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBTENANT and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBTENANT'S assets is appointed; and

c) SUBTENANT is divested of its estate herein by operation of law.

17. ASSIGNMENT: SUBTENANT SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HERE-UNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 22 day of Feb, 1998

SUBLESSEE:
AIRPORT RENTAL & LEASING
By: _____

Construction allowance to be stored in this area
SUBTENANT: _____

By: _____
Larry Lawrence

Rent deposit received $_____

( ) ( )
Initial Initial

5/97

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1918
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSOR, and

SUBLESSEE, Inteq Software (NAME) 550 West "C", Suite 2040 (ADDRESS)
San Diego (CITY) CA (STATE) 92101 (ZIP) (619) 231-3300 (BUSINESS PHONE)
(619) 231-3301 (FAX NUMBER) (AIRCRAFT ID NUMBER)

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSOR of the City of San Diego, a Municipal Corporation, hereinafter referred to as the "city", on the city-owned airport property; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to AIRPORT RENTAL & LEASING a Lease for the use of Aircraft Hangar spaces in an area known as CrownAir Leasing. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars of the CrownAir Leasing area for sale and lease. SUBLESSEE is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBLESSEE that

that portion of AIRPORT RENTAL & LEASING's ramp designated CROWNAIR'S space number 11, and the Port-A-Port hangar, Serial # 4846, thereon.

3. **Rent:** SUBTENANT shall pay SUBLESSEE, as rent, the sum of ~~$ 575.00~~ 500.00 per month, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSEE. The rental amount due the SUBLESSEE by the SUBTENANT shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBTENANT does not pay the SUBLESSEE by the TENTH (10th) day of any month, the SUBTENANT shall additionally pay a late charge equal to ~~10%~~ of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT ARE DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBTENANT may apply said Rent Deposit towards the last month's rent.

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5. **HOLDING OVER:** In the event SUBTENANT shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSEE. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBTENANT not be ready to vacate the space on the date of termination, SUBLESSEE may, at his sole discretion, allow SUBTENANT to remain on a day

to day basis rescindable without notice. SUBTENANT agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE:** SUBTENANT must provide a Certificate of Insurance to SUBLESSEE with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSEE will not be responsible for damages to aircraft parked on its facilities.

7. **Prohibited Activities** The hangar and space subleased herein shall be used solely for the storage or aircraft and related equipment. The following activities are strictly prohibited:

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

8. **Utilities** The SUBTENANT shall pay AIRPORT RENTAL &

LEASING for electric. / used on the leased premises. AIRPORT RENTAL & LEASING will provide a submeter to meter electrical use and bill at same rate San Diego Gas & Electric charges. Other utilities, trash and phone, must be purchased from the utility directly by SUBTENANT. (No water or sewer is available at this time.) Such utilities shall include, but not be limited to, electrical power to the hangars. SUBTENANT must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBTENANT shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSEE. Any signs which the SUBTENANT desires to install shall be submitted first to the SUBLESSEE for approval as to number, design, size, color and location. The SUBLESSEE shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSEE and the Airport Director shall not relieve the SUBTENANT from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBTENANT shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBTENANT default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSEE shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSEE under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBTENANT shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBTENANT hereby agrees to defend, indemnify and save harmless the SUBLESSEE, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBTENANT'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSEE shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBTENANT, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBTENANT hereby releases and discharges SUBLESSEE from any and all claims and demands of SUBTENANT for loss or damage to SUBTENANT'S property or injury to SUBTENANT'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBTENANT, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBTENANT further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSEE** In addition to other rights hereunder or by law, the SUBLESSEE may terminate the Lease in whole or in part upon written notice to the SUBTENANT upon or after any of the following events:

a) SUBTENANT files a voluntary petition in bankruptcy;

b) SUBTENANT is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBTENANT and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBTENANT'S assets is appointed; and

e) SUBTENANT is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBTENANT SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HERE- UNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 16 day of April, 1998

SUBLESSEE:
AIRPORT RENTAL & LEASING

By: _____

* Construction materials to be stored in extra space.

SUBTENANT:

~~Data Tree Corp~~ INTGS

By: _____
Harish K. Chopra of Data Tree Corp

Rent deposit received $ 600.-

( ) ( )
Initial Initial

5/97

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1885
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSEE, and

SUBTENANT, Larry Lawrence
COMPANY NAME

6309 Hartley Drive — La Jolla, CA 92037
ADDRESS — CITY STATE ZIP

619/454-4707 — 15VB
BUSINESS PHONE — FAX NUMBER — AIRCRAFT ID NUMBER

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSEE of the Air 88 dba. CrownAir Inc. of San Diego, a Corporation, hereinafter referred to as the Sublessor, on the city-owned airport property, Montgomery Field; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to CrownAir and CrownAir granted a lease for the use of Aircraft Hangar spaces in an area known as CrownAir Inc. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars on the CrownAir Lease area for sale and lease. SUBTENANT is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBTENANT

that of a shared portion of AIRPORT RENTAL & LEASING's ramp designated CROWNAIR'S space number 11, and the rear 1/2 of Port-A-Port hangar, Serial # 4846, thereon.

3. **Rent:** SUBTENANT shall pay SUBLESSEE, as rent, the sum of $ 600.00 per month plus electricity (If used for anything except lights and occasional polishing and vacuuming. Rate to be determined by amount of usage), payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSEE. The rental amount due the SUBLESSEE by the SUBTENANT shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBTENANT does not pay the SUBLESSEE by the TENTH (10th) day of any month, the SUBTENANT shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT ARE DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBTENANT may apply said Rent Deposit towards the last month's rent.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBTENANT and is a ONE YEAR LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on July 1, 1998 and end June 30, 2000.

5. **HOLDING OVER:** In the event SUBTENANT shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSEE. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should

SUBTENANT not be ready to vacate the space on the date of termination, SUBLESSEE may, at his sole discretion, allow SUBTENANT to remain on a day to day basis rescindable without notice. SUBTENANT agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBTENANT must provide a Certificate of Insurance to SUBLESSEE with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSEE will not be responsible for damages to aircraft parked on its facilities.

7. **Prohibited Activities** The hangar and space subleased herein shall be used solely for the storage or aircraft and related equipment. The following activities are strictly prohibited:

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior

written consent of AIRPORT RENTAL & LEASING.

8. **Utilities** The SUBTENANT shall pay AIRPORT RENTAL & LEASING for electricity used on the leased premises. AIRPORT RENTAL & LEASING will provide a submeter to meter electrical use and bill at same rate San Diego Gas & Electric charges. Other utilities, trash and phone, must be purchased from the utility directly by SUBTENANT. (No water or sewer is available at this time.) Such utilities shall include, but not be limited to, electrical power to the hangars. SUBTENANT must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBTENANT shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSEE. Any signs which the SUBTENANT desires to install shall be submitted first to the SUBLESSEE for approval as to number, design, size, color and location. The SUBLESSEE shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSEE and the Airport Director shall not relieve the SUBTENANT from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBTENANT shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBTENANT default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSEE shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSEE under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBTENANT shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance

following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBTENANT hereby agrees to defend, indemnify and save harmless the SUBLESSEE, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBTENANT'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSEE shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBTENANT, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBTENANT hereby releases and discharges SUBLESSEE from any and all claims and demands of SUBTENANT for loss or damage to SUBTENANT'S property or injury to SUBTENANT'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBTENANT, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBTENANT further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSEE** In addition to other rights hereunder or by law, the SUBLESSEE may terminate the Lease in whole or in part upon written notice to the SUBTENANT upon or after any of the following events:

a) SUBTENANT files a voluntary petition in bankruptcy;

b) SUBTENANT is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBTENANT and its assets under the

provisions of any Federal reorganization act;

d) A receiver of SUBTENANT'S assets is appointed; and

e) SUBTENANT is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBTENANT SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HERE- UNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 1 day of July, 19 99

SUBLESSEE:
AIRPORT RENTAL & LEASING
By: _____

SUBTENANT:

By: _____
Larry Lawrence

Rent deposit received $_____

Initial Initial

( ) ( )

AIRPORT RENTAL & LEASING COMPANY

Post Office Box 1918
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSOR, and

SUBLESSEE, David Mercier - Seneca Trust 10530 Sea Mist Way
NAME ADDRESS

San Diego CA 92121 (619) 587-2116
CITY STATE ZIP BUSINESS PHONE

HOME PHONE AIRCRAFT ID NUMBER

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSOR of the City of San Diego, a Municipal Corporation, hereinafter referred to as the "city", on the city-owned airport property; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to AIRPORT RENTAL & LEASING a Lease for the use of Aircraft Hangar spaces in an area known as CrownAir Leasing. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars of the CrownAir Leasing area for sale and lease. SUBLESSEE is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBLESSEE that shared portion of AIRPORT RENTAL & LEASING's ramp designated space

number 11, and the Port-A-Port hangar, Serial # 484b, thereon.

3. **Rent:** SUBLESSEE shall pay SUBLESSOR, as rent, the sum of $700.00 per month plus $5.00 per month for electric, excluding utilities, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSOR. The rental amount due the SUBLESSOR by the SUBLESSEE shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBLESSEE does not pay the SUBLESSOR by the TENTH (10th) day of any month, the SUBLESSEE shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT IS DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBLESSEE may apply said Rent Deposit towards the last month's rent. SUBLESSOR reserves the right to modify, increase, or alter the amount due for monthly rent upon thirty (30) day written notice delivered to SUBLESSEE. Should the rate for rent of said hangar increase, SUBLESSEE hereby agrees to increase the deposit by a like amount.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBLESSEE and is a MONTH TO MONTH LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on June 15, 1999.

5. **HOLDING OVER:** In the event SUBLESSEE shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSOR. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBLESSEE not be ready to vacate the space on the date of termination, SUBLESSOR may, at his sole discretion, allow SUBLESSEE to remain on a day

to day basis rescindable without notice. SUBLESSEE agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBLESSEE must provide a Certificate of Insurance to SUBLESSOR with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSOR will not be responsible for damages to aircraft parked on its facilities.

7. **Approved Uses and Prohibited Activities:**

A. APPROVED USES:

a) Uses of hanger. The hangar and space subleased herein shall be used solely for the storage of aircraft and related equipment.

b) _____

_____

B. Prohibited uses and activities.

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

i) Other activities may be prohibited. If there is any question as to prohibited activities prior approval from sublessor must be obtained.

8. **Utilities** The SUBLESSEE shall pay AIRPORT RENTAL & LEASING for all utilities used on the leased premises. Such utilities shall include, but not be limited to, electrical power to the hangars. SUBLESSEE must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBLESSEE shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSOR. Any signs which the SUBLESSEE desires to install shall be submitted first to the SUBLESSOR for approval as to number, design, size, color and location. The SUBLESSOR shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSOR and the Airport Director shall not relieve the SUBLESSEE from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBLESSEE shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBLESSEE default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSOR shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSOR under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBLESSEE shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBLESSEE hereby agrees to defend, indemnify and save harmless the SUBLESSOR, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBLESSEE'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSOR shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBLESSEE, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBLESSEE hereby releases and discharges SUBLESSOR from any and all claims and demands of SUBLESSEE for loss or damage to SUBLESSEE'S property or injury to SUBLESSEE'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBLESSEE, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBLESSEE further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSOR** In addition to other rights hereunder or by law, the SUBLESSOR may terminate the Lease in whole or in part upon written notice to the SUBLESSEE upon or after any of the following events:

a) SUBLESSEE files a voluntary petition in bankruptcy;

b) SUBLESSEE is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBLESSEE and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBLESSEE'S assets is appointed; and

e) SUBLESSEE is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBLESSEE SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HEREUNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 24 day of June, 1999

SUBLESSOR:
AIRPORT RENTAL & LEASING
By: _____

SUBLESSEE
SENECA TRUST
By: DAVID C. MARCIEL

Rent deposit received $ 700.00

Initial DM Initial

2/99

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Airport Rental & Leasing Company, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' X 50'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 12.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 12) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on June 1, 1997 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the Master Lease is

extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $_10% of tenant rental rate_) per _monthly_ period, payable, in advance, on _the first of each month_ for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 12 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the

structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this

Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee

commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_12_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_12_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_12_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _P.O. Box 1885, Paso Robles, CA 93447_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The

expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease

Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 6 day of June, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

KIM LILLY
AIRPORT RENTAL & LEASING CO.
Name (Print)

2320 RAMADA DR
Address

PASO ROBLES CA 93446
City *State* *Zip*

800— 235-4141
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_12_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and _____ (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and _____ (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

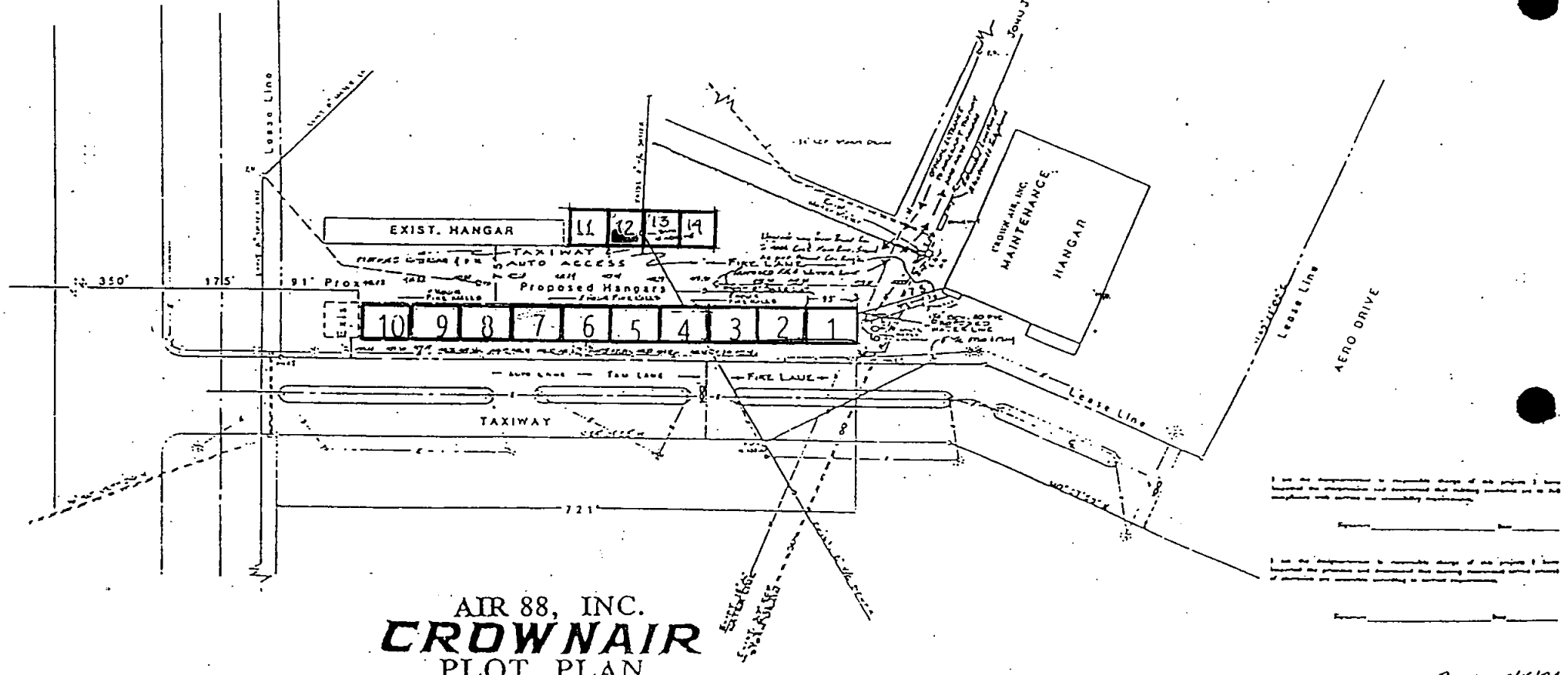
Dated: _____

By: _____
Chief Deputy City Attorney

HIBIT "A"

LEGEND

U. B. C. 1991



AIR 88, INC.
CROWNAIR
PLOT PLAN

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1885
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSEE, and

SUBTENANT, Pacific Aero System
COMPANY NAME

5760 Chesapeake Court — San Diego, CA 92123
ADDRESS — CITY STATE ZIP

619/571-1441 — 619/571-0803 —
BUSINESS PHONE — FAX NUMBER — AIRCRAFT ID NUMBER

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSEE of the Air 88 dba. CrownAir Inc. of San Diego, a Corporation, hereinafter referred to as the Sublessor, on the city-owned airport property, Montgomery Field; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to CrownAir and CrownAir granted a lease for the use of Aircraft Hangar spaces in an area known as CrownAir Inc. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars on the CrownAir Lease area for sale and lease. SUBTENANT is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBTENANT

that portion of AIRPORT RENTAL & LEASING's ramp designated CROWNAIR'S space number 12, and the Port-A-Port hangar, Serial # 4860, thereon.

3. **Rent:** SUBTENANT shall pay SUBLESSEE, as rent, the sum of $1,150.00 per month, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSEE. The rental amount due the SUBLESSEE by the SUBTENANT shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBTENANT does not pay the SUBLESSEE by the TENTH (10th) day of any month, the SUBTENANT shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT ARE DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBTENANT may apply said Rent Deposit towards the last month's rent.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBTENANT and is a YEAR TO YEAR LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on June 1, 1997 and end on May 31, 1998.

5. **HOLDING OVER:** In the event SUBTENANT shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSEE. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBTENANT not be ready to vacate the space on the date of termination, SUBLESSEE may, at his sole discretion, allow SUBTENANT to remain on a day

to day basis rescinda ; without notice. SUBTENAN agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBTENANT must provide a Certificate of Insurance to SUBLESSEE with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSEE will not be responsible for damages to aircraft parked on its facilities.

7. **Prohibited Activities** The hangar and space subleased herein shall be used solely for the storage or aircraft and related equipment. The following activities are strictly prohibited:

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

8. **Utilities** The SUBTENANT shall pay AIRPORT RENTAL &

LEASING for electricity used on the leased premises. AIRPORT RENTAL & LEASING will provide a submeter to meter electrical use and bill at same rate San Diego Gas & Electric charges. Other utilities, trash and phone, must be purchased from the utility directly by SUBTENANT. (No water or sewer is available at this time.) Such utilities shall include, but not be limited to, electrical power to the hangars. SUBTENANT must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBTENANT shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSEE. Any signs which the SUBTENANT desires to install shall be submitted first to the SUBLESSEE for approval as to number, design, size, color and location. The SUBLESSEE shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSEE and the Airport Director shall not relieve the SUBTENANT from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBTENANT shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBTENANT default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSEE shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSEE under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBTENANT shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBTENANT hereby agrees to defend, indemnify and save harmless the SUBLESSEE, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBTENANT'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSEE shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBTENANT, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBTENANT hereby releases and discharges SUBLESSEE from any and all claims and demands of SUBTENANT for loss or damage to SUBTENANT'S property or injury to SUBTENANT'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBTENANT, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBTENANT further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSEE** In addition to other rights hereunder or by law, the SUBLESSEE may terminate the Lease in whole or in part upon written notice to the SUBTENANT upon or after any of the following events:

a) SUBTENANT files a voluntary petition in bankruptcy;

b) SUBTENANT is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBTENANT and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBTENANT'S assets is appointed; and

e) SUBTENANT is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBTENANT SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HERE- UNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 23rd day of May, 1997.

SUBLESSEE:
AIRPORT RENTAL & LEASING
By: _____

SUBTENANT:
Pacific Aero System
By: _____
Ed Dempsey of Pacific Aero System

Rent deposit received $ 2300.00

( ) ( )
Initial Initial

5/97

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1918
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSOR, and

SUBLESSEE, Robert Hecht-Nielsen (NAME) 2272 Del Mar Heights Road (ADDRESS)
Del Mar (CITY) CA (STATE) 92014 (ZIP) 858-546-8877 ext. 8301 (BUSINESS PHONE)
858-855-1797 (HOME PHONE) (AIRCRAFT ID NUMBER)

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSOR of the City of San Diego, a Municipal Corporation, hereinafter referred to as the "city", on the city-owned airport property; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to AIRPORT RENTAL & LEASING a Lease for the use of Aircraft Hangar spaces in an area known as CrownAir Leasing. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars of the CrownAir Leasing area for sale and lease. SUBLESSEE is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBLESSEE that portion of AIRPORT RENTAL & LEASING's ramp designated space number

17, and the Port-A-Port hangar, Serial #_____, thereon.

3. **Rent:** SUBLESSEE shall pay SUBLESSOR, as rent, the sum of $1,554.00 per month plus $5.00 per month for electric, excluding utilities, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSOR. The rental amount due the SUBLESSOR by the SUBLESSEE shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBLESSEE does not pay the SUBLESSOR by the TENTH (10th) day of any month, the SUBLESSEE shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT IS DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBLESSEE may apply said Rent Deposit towards the last month's rent. SUBLESSOR reserves the right to modify, increase, or alter the amount due for monthly rent upon thirty (30) day written notice delivered to SUBLESSEE. Should the rate for rent of said hangar increase, SUBLESSEE hereby agrees to increase the deposit by a like amount.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBLESSEE and is a MONTH TO MONTH LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on 20 Dec 99.

5. **HOLDING OVER:** In the event SUBLESSEE shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSOR. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBLESSEE not be ready to vacate the space on the date of termination, SUBLESSOR may, at his sole discretion, allow SUBLESSEE to remain on a day

to day basis rescindable without notice. SUBLESSEE agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBLESSEE must provide a Certificate of Insurance to SUBLESSOR with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSOR will not be responsible for damages to aircraft parked on its facilities.

7. **Approved Uses and Prohibited Activities:**

A. APPROVED USES:

a) Uses of hanger. The hangar and space subleased herein shall be used solely for the storage of aircraft and related equipment.

b) _____

_____

B. Prohibited uses and activities.

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

i) Other activities may be prohibited. If there is any question as to prohibited activities prior approval from sublessor must be obtained.

8. **Utilities** The SUBLESSEE shall pay AIRPORT RENTAL & LEASING for all utilities used on the leased premises. Such utilities shall include, but not be limited to, electrical power to the hangars. SUBLESSEE must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBLESSEE shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSOR. Any signs which the SUBLESSEE desires to install shall be submitted first to the SUBLESSOR for approval as to number, design, size, color and location. The SUBLESSOR shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSOR and the Airport Director shall not relieve the SUBLESSEE from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBLESSEE shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBLESSEE default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSOR shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSOR under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBLESSEE shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBLESSEE hereby agrees to defend, indemnify and save harmless the SUBLESSOR, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBLESSEE'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSOR shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBLESSEE, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBLESSEE hereby releases and discharges SUBLESSOR from any and all claims and demands of SUBLESSEE for loss or damage to SUBLESSEE'S property or injury to SUBLESSEE'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBLESSEE, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBLESSEE further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSOR** In addition to other rights hereunder or by law, the SUBLESSOR may terminate the Lease in whole or in part upon written notice to the SUBLESSEE upon or after any of the following events:

a) SUBLESSEE files a voluntary petition in bankruptcy;

b) SUBLESSEE is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBLESSEE and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBLESSEE'S assets is appointed; and

e) SUBLESSEE is divested of its estate herein by operation of law.

17. **ASSIGNMENT:** SUBLESSEE SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HEREUNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 20th day of Dec, 1999

SUBLESSOR:
AIRPORT RENTAL & LEASING
By: _____

SUBLESSEE
_____
By: Robert Hecht-Nielsen
Aircraft Owner

Rent deposit received $5213 42/xx

Rent Paid From
20 Dec 99
thru
31 Mar 00

Initial Initial

2/99

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on June 26, 2000 between the above LESSEE (SUBLESSOR) and B.A. Hangar Rentals, LLC (SUBLESSEE) for Hangar Space #13 (Sublet Premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving the subleasing to B.A. Hangar Rentals, LLC, SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the sublet premise for storing its fixed-wing aircraft and its helicopter(s) and for no other purpose whatsoever, without prior written authorization from CITY. SUBLESSEE will operate its helicopter run ups, take offs and landings from the City's Public Heliport, and SUBLESSEE will tow its helicopter between the master leasehold and the City's Public Heliport, WITHOUT EXCEPTION.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

   4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the Consent to Sublease Agreement amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

DOCUMENT NO. 00-18298-39
FILED SEP 28 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RECEIVED
CITY CLERK'S OFFICE
00 SEP 27 PM 2:50
SAN DIEGO, CALIF.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

Consent to Sublease Agreement
Air 88, Inc. and B.A. Hangar Rentals, LLC
Hangar Space #13

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 9/26/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 9/25/00

By: _____

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 9/6/00

By: _____
Deputy City Attorney

File: Air88.ConsentBA#13

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **B.A. Hangar Rentals, LLC**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #13 also known as Hangar #13.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #13) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Two Hundred and Seventy Five ($275.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees (including filing fees) imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft and/or helicopter storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any wrongful act, its omission of sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum liability coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an

additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessor under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after written notice of default and demand for payment has been given to Sublessee.

(b) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(c) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(d) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master

Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **P.O Box 39, Duncansville PA 16635, 814-696-3553, 619-838-7300**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the third business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration, with full right of discovery. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Crownair Aviation B.A. Hangar Rentals, LLC

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

27. Master Lease. Sublessor shall make every effort to extend the Master Lease for the additional 10 year period.

Executed at San Diego, California on the **26st day of June, 2000**.

Sublessor:
Air 88, Inc. d/b.a. Crownair, a California corporation

by: _____
Giorgio Caglieto, President

Sublessee:
B.A. Hangar Rentals, LLC

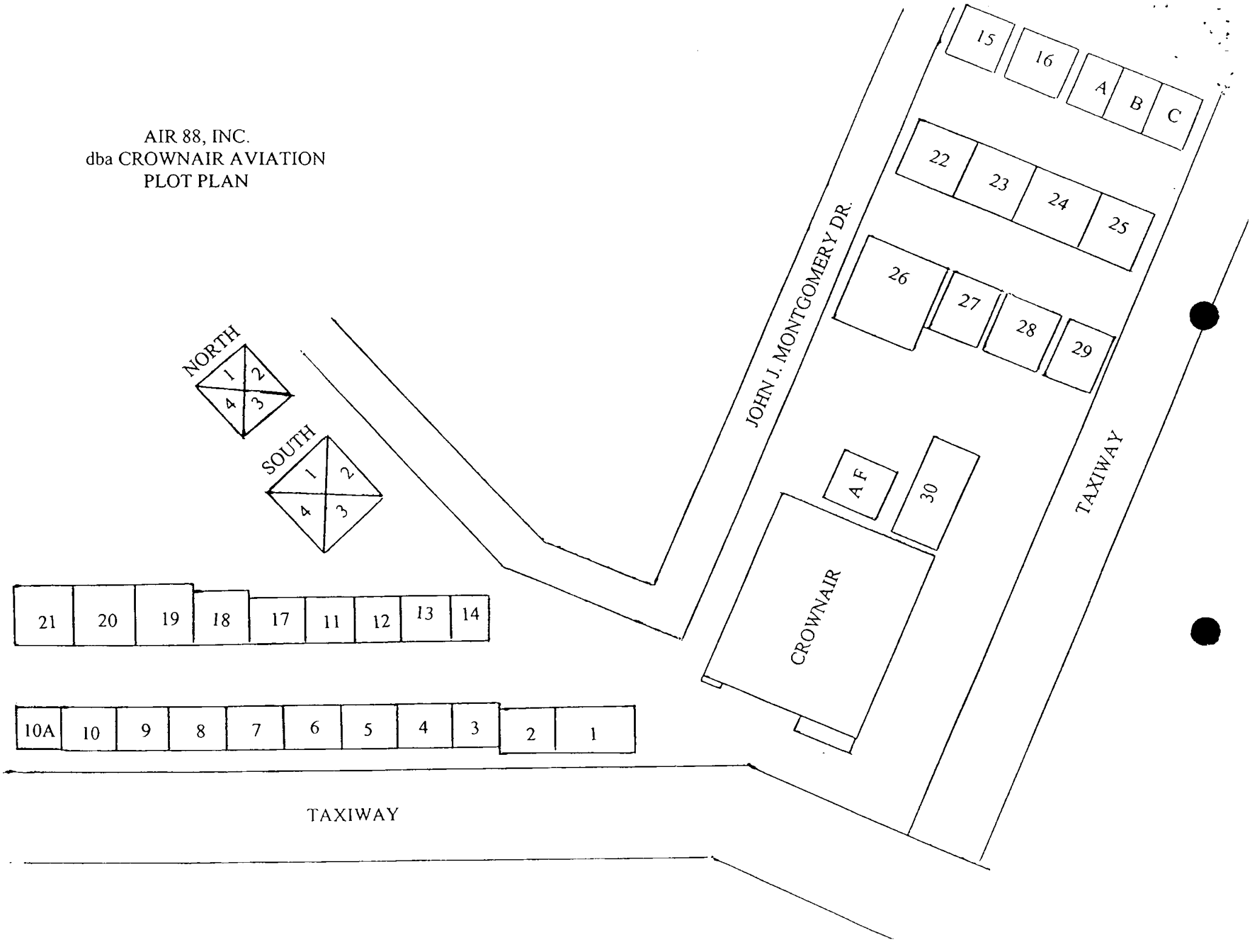
by: _____
Michael Herman

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 13, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on June 1, 2000 between the above LESSEE (SUBLESSOR) and JBJK Corp. III (SUBLESSEE) for Hangar Space #10-A (sublet premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is consenting to LESSEE subletting to SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the sublet premise for storing its fixed-wing aircraft and no other purpose, whatsoever, without prior written authorization from CITY. The SUBLESSEE shall not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE

DOCUMENT NO. 00-18298-40
SEP 28 2000
FILED
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

Consent to Sublease Agreement
Air 88, Inc. and JBJK Corp. III
Hangar Space #10-A

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 9/26/00

By: _____
Supervising Property Agent

SUBLESSEE: ~~JB~~JK Corp. III

Date: 6/1/00

By: _____

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 7/14/00

By: _____
Deputy City Attorney

File: AIR88:Hgr.10A

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **JBJK Corp III**, herein called "Sublessee", the land for a hangar measuring fifty feet by sixty feet (50' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #10A also known as Hangar #10A.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #10A) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and ten ($310.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

   The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

   If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

   (a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
   Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

   (b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

   (c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City, including any filing fees related to the lease documents

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to written Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

   Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **1298 Prospect, Suite 1D, La Jolla, CA 92037 (858-551-3890)**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Giorgio Cagliero
Crownair Aviation

Jon S. Gilbert
JBJK Corp III

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **1st day of June, 2000**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

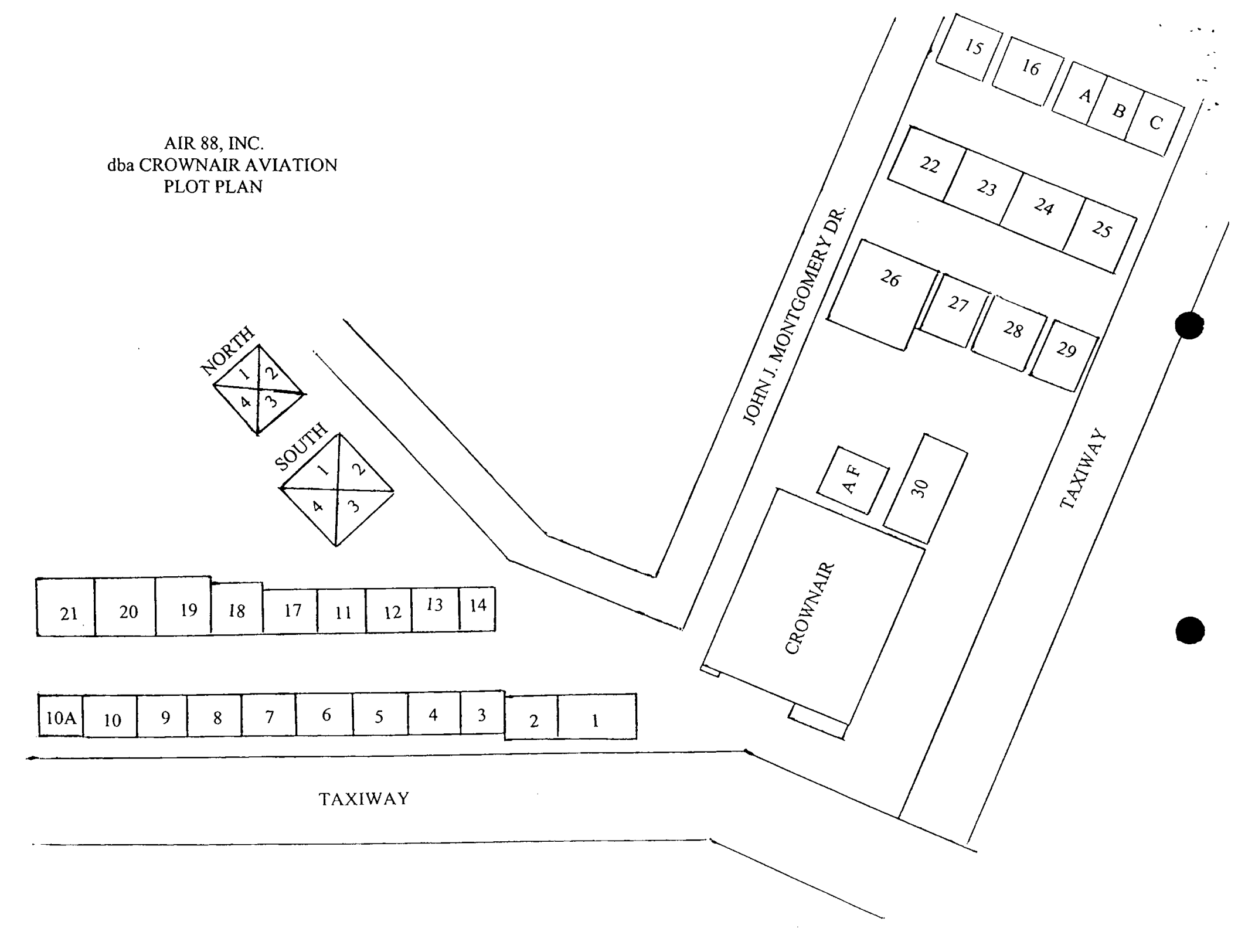
_____
Jon S. Gilbert
JBJK Corp III
1298 Prospect, Suite 1D
La Jolla, CA 92037
858-551-3890

EXHIBIT "A" to Sublease for Hangar #10A

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 10A, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



State of California

SECRETARY OF STATE

1906631

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

FEB 24 1997



Bill Jones

Secretary of State

1906631

ENDORSED
FILED
In the office of the Secretary of State
of the State of California

FEB 2 4 1997

BILL JONES, Secretary of State

ARTICLES OF INCORPORATION
OF
JBJK CORP. III

I

The name of this corporation is JBJK CORP. III.

II

The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

III

The name and address in the State of California of this corporation's initial agent for service of process is:

Jon S. Gilbert
5505 Morehouse Drive, Suite 300
San Diego, California 92121

IV

This corporation is authorized to issue only one class of shares of stock and the total number of shares which this corporation is authorized to issue is 1,000,000.

V

Each shareholder of this corporation shall be entitled to full pre-emptive rights, as defined by law, to subscribe for or purchase such shareholder's proportional part of any shares which may be issued at any time by this corporation.

VI

The liability of the directors of the corporation for monetary damages shall be eliminated to the fullest extent permitted under California law.

VII

The corporation is authorized to provide indemnification of agents (as defined in Section 317 of the California Corporations Code) for breach of duty to the corporation and its stockholders through bylaw provisions or through agreements with the agents, or both, in excess of the indemnification otherwise permitted by Section 317 of the California Corporations Code, subject to the

limits on such excess indemnification set forth in Section 204 of the Corporations Code.

Dated: 2/18, 1997.

Jon S. Gilbert

O:\3\3128\48987\Trans\Articles.026

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on February 22, 2000 between the above LESSEE (SUBLESSOR) and Airport Rental & Leasing Company (SUBLESSEE) for Hangar Space #13.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Airport Rental & Leasing Company, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

DOCUMENT NO. 00-18298-27
FILED MAR 09 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

APPROVALS:

Date: 3/7/00

THE CITY OF SAN DIEGO

By: _____
Supervising Property Agent

Date: 2/22/00

SUBLESSEE:

By: _____
Airport Rental & Leasing Company
Kim Lilly

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/7/00

By: _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Airport Rental & Leasing Company**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #13 also known as Hangar #13.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #13) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on Date of **March 30, 2000** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay **10% of tenant rental rate** per monthly period. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for

said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **P.O. Box 1885, Paso Robles, CA 93447**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

_____

Airport Rental & Leasing Company
Kim Lilly

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Entry and Inspection. Sublessor 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.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **22th day of February 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair Aviation, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

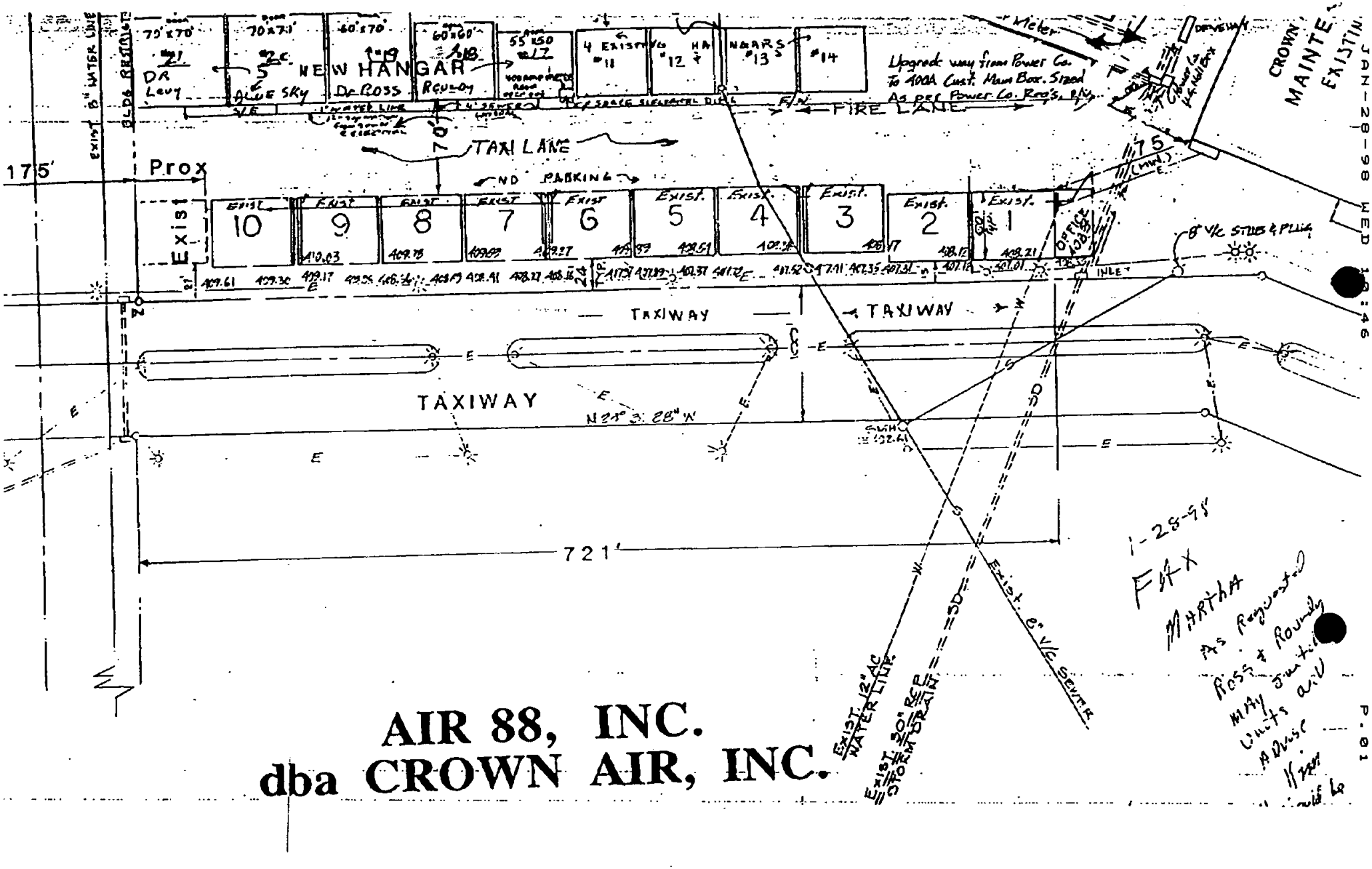
_____
Airport Rental & Leasing Company
Kim Lilly, Owner

2320 Ramada Drive
Paso Robles, CA 93446
805-238-9477 (ph) 805-238-9424 (fax)

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_13_, San Diego, CA 92123.



AIR 88, INC.
dba CROWN AIR, INC.

AIRPORT RENTAL & LEASING COMPANY
Post Office Box 1918
Paso Robles, CA 93447

AIRPORT RENTAL & LEASING COMPANY

HANGAR SUBLEASE AGREEMENT

This is an agreement made and entered the day and date last appearing, by and between AIRPORT RENTAL & LEASING, hereinafter referred to as SUBLESSOR, and

SUBLESSEE, Charles Gunderson			2000 Savannah Court
NAME			ADDRESS
Round Rock	TX	78681	619-677-0877
CITY	STATE	ZIP	BUSINESS PHONE
512-246-2528			Piper Apache PA23 N4373P
HOME PHONE			AIRCRAFT ID NUMBER

WITNESSETH:

For and in consideration and mutual promises provided herein, the parties agree as follows:

1. AIRPORT RENTAL & LEASING is a SUBLESSOR of the City of San Diego, a Municipal Corporation, hereinafter referred to as the "city", on the city-owned airport property; inspection of the MASTER LEASE AGREEMENT may be conducted at the Office of the Clerk, City of San Diego, California, or upon request to AIRPORT RENTAL & LEASING. The city granted to AIRPORT RENTAL & LEASING a Lease for the use of Aircraft Hangar spaces in an area known as CrownAir Leasing. The said MASTER LEASE permits AIRPORT RENTAL & LEASING to install hangars of the CrownAir Leasing area for sale and lease. SUBLESSEE is charged with knowledge of that MASTER LEASE and this AGREEMENT is made subject to the terms and conditions of that MASTER LEASE AGREEMENT.

2. AIRPORT RENTAL & LEASING hereby subleases to SUBLESSEE that portion of AIRPORT RENTAL & LEASING's ramp designated space number

13, and the Port-A-Port hangar, Serial #_____, thereon.

3. **Rent:** SUBLESSEE shall pay SUBLESSOR, as rent, the sum of $1,500.00 per month plus $5.00 per month for electric, excluding utilities, payable in advance, without billing, in person or by mail to AIRPORT RENTAL & LEASING, P.O. Box 1885, Paso Robles, CA 93447, or as otherwise instructed by SUBLESSOR. The rental amount due the SUBLESSOR by the SUBLESSEE shall be payable, IN ADVANCE, on or before the First (1st) day of each month. In the event the SUBLESSEE does not pay the SUBLESSOR by the TENTH (10th) day of any month, the SUBLESSEE shall additionally pay a late charge equal to 10% of the rental amount due that month. FIRST MONTHS RENT & A DEPOSIT EQUAL TO ONE MONTH'S RENT IS DUE AND PAYABLE PRIOR TO OCCUPANCY. Rental agreements initiated on days other than the FIRST day of the month shall be prorated to the first day of the following month with the next month's rent then due. Assuming all prior rents have been paid and with proper notice given, SUBLESSEE may apply said Rent Deposit towards the last month's rent. SUBLESSOR reserves the right to modify, increase, or alter the amount due for monthly rent upon thirty (30) day written notice delivered to SUBLESSEE. Should the rate for rent of said hangar increase, SUBLESSEE hereby agrees to increase the deposit by a like amount.

4. **TERM OF SUBLEASE:** The term of the SUBLEASE shall commence on date of occupancy of the Hangar by SUBLESSEE and is a MONTH TO MONTH LEASE of said hangar and hangar space. This rental agreement may be terminated by either party by written notice delivered at least thirty (30) days prior to termination. The term shall begin on ~~June 1, 1999~~ July 12, 1999 BKH.

5. **HOLDING OVER:** In the event SUBLESSEE shall remain in possession of the premises herein leased after expiration of this Agreement, such holding over shall not be deemed a renewal or extension of this lease, but shall only create a monthly tenancy which may be terminated at any time by the SUBLESSOR. Said holding over shall be for a period not to exceed ninety (90) days and rental payments shall continue for said period of holding over. Should SUBLESSEE not be ready to vacate the space on the date of termination, SUBLESSOR may, at his sole discretion, allow SUBLESSEE to remain on a day

to day basis rescindable without notice. SUBLESSEE agrees to pay a daily amount for such extension equal to 1/30th of the then current monthly rent.

6. **INSURANCE**: SUBLESSEE must provide a Certificate of Insurance to SUBLESSOR with a ten (10) day notice of cancellation clause. Liability limits are $50,000 property and $100,000 bodily injury any one person, and $300,000 any one accident. SUBLESSOR will not be responsible for damages to aircraft parked on its facilities.

7. **Approved Uses and Prohibited Activities:**

A. APPROVED USES:

a) Uses of hanger. The hangar and space subleased herein shall be used solely for the storage of aircraft and related equipment.

b) Miscellaneous storage of items related to aircraft.

B. Prohibited uses and activities.

a) Parking or storage of motor vehicles or personal equipment in the hangar and/or storage area; however, motor vehicles may be temporarily parked in a hangar while not in use for the storage of an aircraft.

b) Use of the hangar for the storage of hazardous or dangerous materials, or goods and supplies not related to aircraft operation.

c) The use of combustible chemicals, welding or similar activities in or adjacent to the storage area is strictly prohibited.

d) Use of the hangar or space to conduct any commercial activity. Or use of the aircraft located in said storage area for commercial activity unless a permit for such activity is first obtained pursuant to the rules and regulations for the use of the San Diego Municipal Airport.

e) Any use of the storage area that does not conform to all San Diego Municipal Airport rules and regulations, and applicable zoning, building and fire codes.

f) Any activities which would cause insurance rates on the hangar and adjacent areas to rise.

g) Any activities which would inhibit the use and enjoyment of adjacent spaces or any other part of the airport.

h) Any modification or alternation of the hangar space without prior written consent of AIRPORT RENTAL & LEASING.

i) Other activities may be prohibited. If there is any question as to prohibited activities prior approval from sublessor must be obtained.

8. **Utilities** The SUBLESSEE shall pay AIRPORT RENTAL & LEASING for all utilities used on the leased premises. Such utilities shall include, but not be limited to, electrical power to the hangars. SUBLESSEE must notify AIRPORT RENTAL & LEASING to have said utilities connected.

9. **Signs** SUBLESSEE shall not erect or display, or permit to be erected or displayed, on the leased premises any sign or advertising matter without first obtaining the written approval of the SUBLESSOR. Any signs which the SUBLESSEE desires to install shall be submitted first to the SUBLESSOR for approval as to number, design, size, color and location. The SUBLESSOR shall not approve any sign which is not in harmony with the general plan and appearance of the San Diego Municipal Airport and has not been approved by the Airport Director. Consent by the SUBLESSOR and the Airport Director shall not relieve the SUBLESSEE from the responsibility of adhering to and conforming with any applicable City, State or Federal law, ordinance or regulation thereon.

10. **Maintenance of Hangar Space** SUBLESSEE shall maintain the hangar, space and immediate area in a neat manner, in good repair and free of any obstructions hazardous to other aircraft.

11. **Default** Should the SUBLESSEE default in the payment of rent or in the performance of any of the covenants or conditions, the SUBLESSOR shall have the right to terminate this Lease and re-enter the leased premises and remove all persons therefrom. In the event any legal action is commenced by the SUBLESSOR under this Lease to enforce the provisions hereof, or to enforce any other legal or equitable remedies or relief in connection with this Lease, the SUBLESSEE shall pay all costs therefore, including Court costs and reasonable attorney's fees.

12. **Waiver of Default** Acceptance by either party of performance following a default will not be deemed a waiver of such default. No waiver by either party of a default will constitute a waiver of any other default. The waiver

of any provision herein shall not be deemed a continuing waiver of a waiver of any other provision.

13. **Indemnification** The SUBLESSEE hereby agrees to defend, indemnify and save harmless the SUBLESSOR, its partners and employees from any and all claims, demands, suits or actions for personal injury or death or property damage arising out of or incurred directly or indirectly as a result of any operations under this SUBLEASE or the SUBLESSEE'S possession of and use of the SUBLEASED area.

14. **Release** The SUBLESSOR shall not be responsible for theft, loss, injury, damage or destruction of any portable hangar or aircraft or other property on the licensed area, or accident or injury to SUBLESSEE, its officers, employees, agents or invitees; it being specifically understood that the amount of charges fixed for this SUBLEASE is for the privilege of storage only. The SUBLESSEE hereby releases and discharges SUBLESSOR from any and all claims and demands of SUBLESSEE for loss or damage to SUBLESSEE'S property or injury to SUBLESSEE'S officers, employees, agents and invitees.

15. **Subject to Conditions of MASTER LEASE** SUBLESSEE, upon execution of this SUBLEASE, acknowledges that he has read and fully understands that this SUBLEASE is subject to the terms and conditions of the MASTER LEASE AGREEMENT. SUBLESSEE further acknowledges that said MASTER LEASE AGREEMENT is incorporated by reference to this SUBLEASE as material terms and conditions.

16. **Termination by SUBLESSOR** In addition to other rights hereunder or by law, the SUBLESSOR may terminate the Lease in whole or in part upon written notice to the SUBLESSEE upon or after any of the following events:

a) SUBLESSEE files a voluntary petition in bankruptcy;

b) SUBLESSEE is adjudicated a bankrupt by a Court of competent jurisdiction;

c) A Court takes jurisdiction of SUBLESSEE and its assets under the provisions of any Federal reorganization act;

d) A receiver of SUBLESSEE'S assets is appointed; and

e) SUBLESSEE is divested of its estate herein by operation of law.

17. **ASSIGNMENT**: SUBLESSEE SHALL NOT ASSIGN THIS LEASE VOLUNTARILY OR BY OPERATION OF LAW, OR ANY RIGHT HEREUNDER, NOR SUBLET THE PREMISES OR ANY PART THEREOF.

IN WITNESS WHEREOF, the parties execute the Agreement on the 13th day of May, 1999.

SUBLESSOR:
AIRPORT RENTAL & LEASING
By: _____

SUBLESSEE
Charles M. Gunderson
By: _____

Rent deposit received $ 1500.00

Initial Initial

2/99

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Riverplace, LLC**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #14 also known as Hangar #14.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #14) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and sixty ($360.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **13630 Danielson Street, Poway, CA 92064**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

Robert Sherwood, Manager
Riverplace, LLC

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **6th day of November, 2000**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
Robert Sherwood, Manager
Riverplace, LLC

13630 Danielson Street
Poway, CA 92064
858-679-3000
858-513-4695 (Fax)

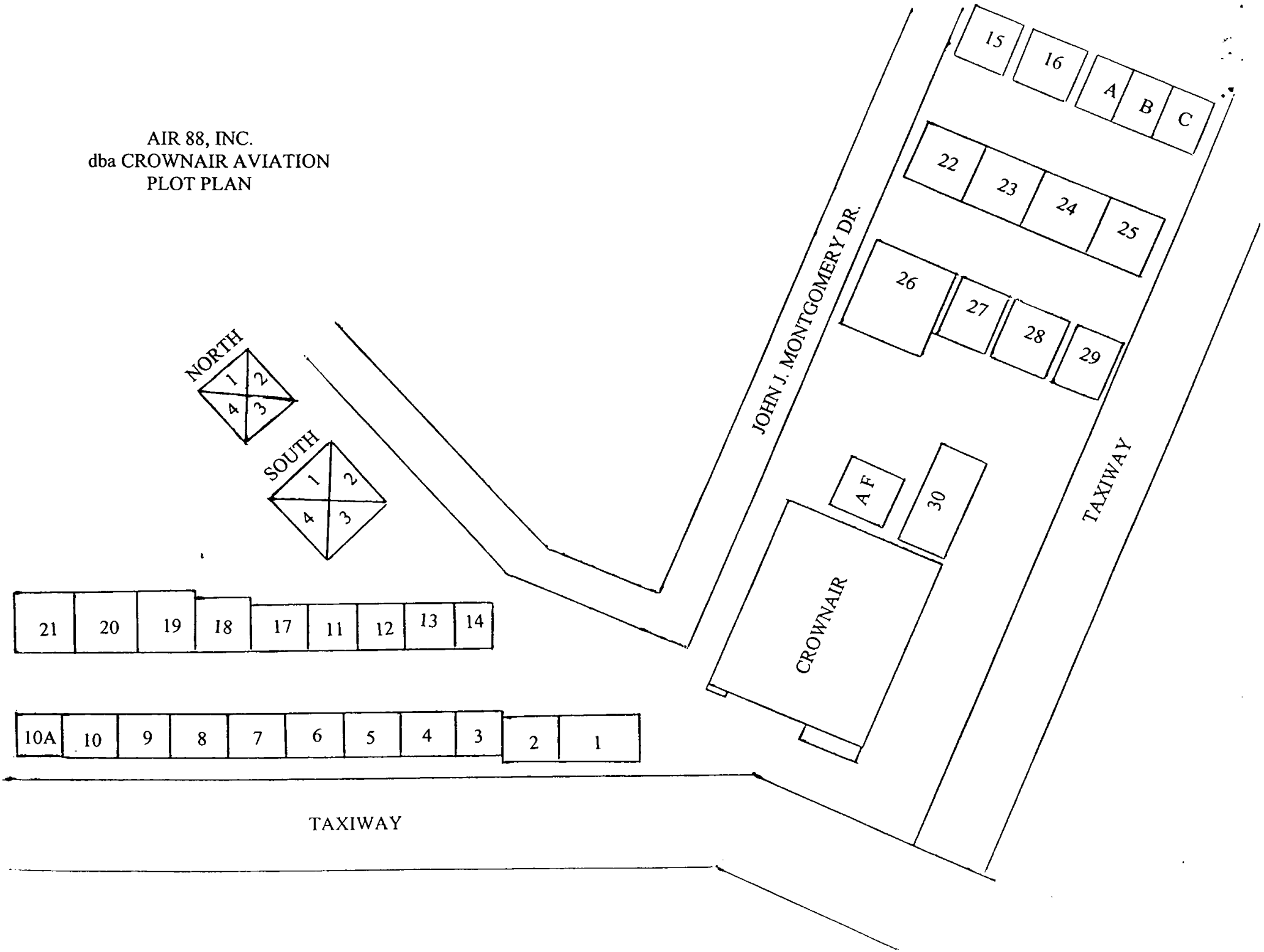
Cessna 340 A N171DB

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 14, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed November 6, 2000 between the above LESSEE (SUBLESSOR) and Riverplace, LLC (SUBLESSEE) for Hangar Space #14 (Sublet Premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to Air 88, Inc. subleasing to Riverplace, LLC, and the uses stated in paragraph 8. Use of the Premise in the Sublease. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. HELICOPTERS. All helicopters operating from Montgomery Field Airport must take off and land at the City's Public Heliport and be towed to and from the hangar where it is stored, unless otherwise specifically instructed by CITY or FAA.

2. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 3. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

3 CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of

DOCUMENT NO. 00-18298
FILED JAN 03 2001
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 12-28-00

By: Tracy S. Means
~~Supervising Property Agent~~ Deputy Director

RIVERPLACE, LLC, SUBLESSEE:

Date: 12-15-00

By:

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 11/09/00

By:
Deputy City Attorney

File: air88Riverpl, 14

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Riverplace, LLC**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #14 also known as Hangar #14.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #14) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and sixty ($360.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

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10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

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(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

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(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

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Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

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22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **6th day of November, 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
Robert Sherwood, Manager
Riverplace, LLC

13630 Danielson Street
Poway, CA 92064
858-679-3000
858-513-4695 (Fax)

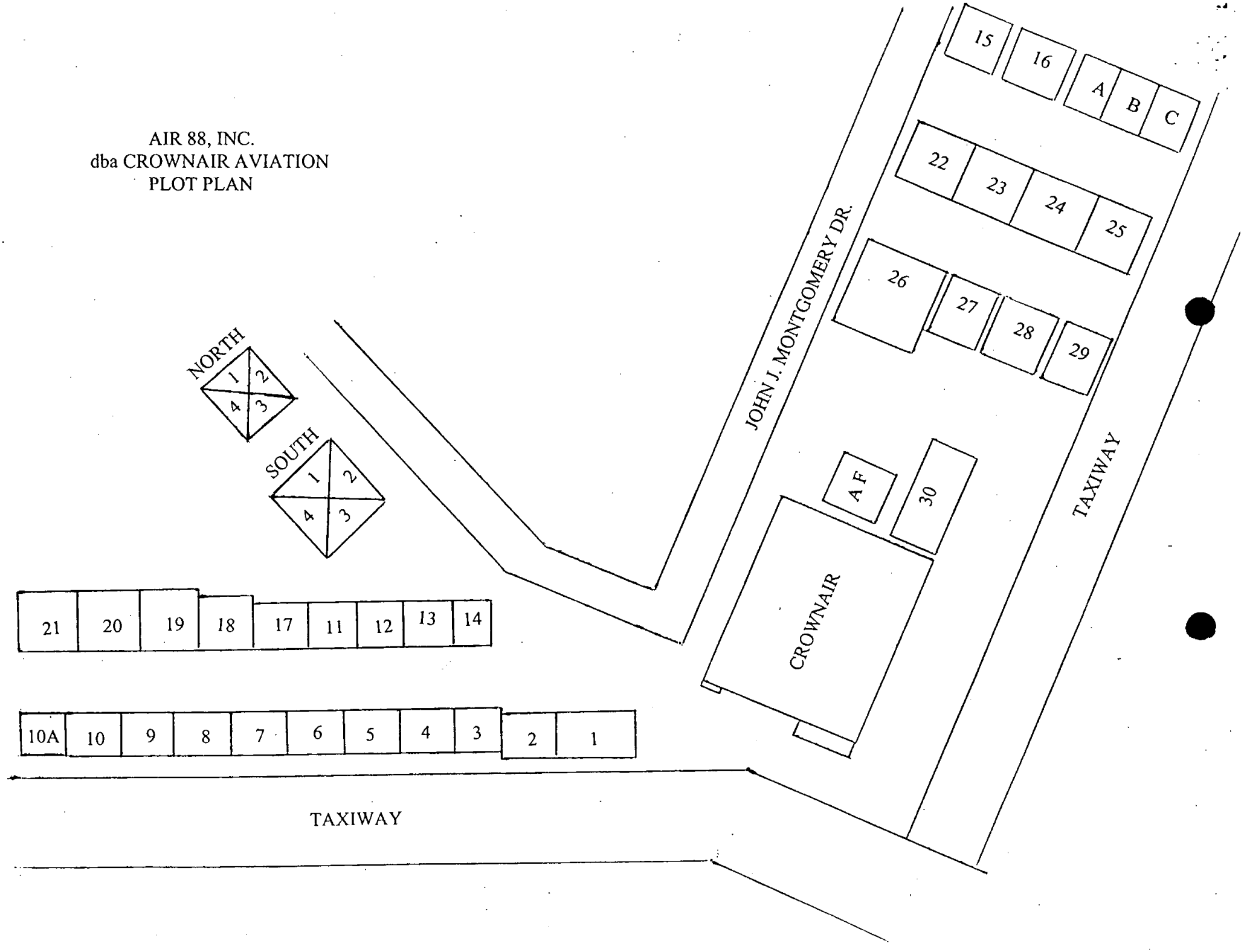
Cessna 340 A N171DB

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 14, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on March 14, 2000 between the above LESSEE (SUBLESSOR) and Talon Aviation LLC (SUBLESSEE) for Hangar Space #14.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving the subleasing to Talon Aviation LLC as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed-wing aircraft and its helicopter and for no other purpose whatsoever, without prior written authorization from CITY. SUBLESSEE will operate its helicopter run ups, take offs and landings from the City's Public Heliport, and SUBLESSEE will tow its helicopter between the master leasehold and the City's Public Heliport, without exception.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

DOCUMENT NO. 00 18298-33

FILED MAR 30 2000

OFFICE OF THE CITY CLERK

SAN DIEGO, CALIFORNIA

If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/20/00

By: _____
Supervising Property Agent

Date: 3/14/2k

SUBLESSEE:

By: _____
Marc D. Lair
Talon Aviation LLC

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/17/00

By: _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Talon Aviation LLC**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #14 also known as Hangar #14.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #14) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and sixty ($360.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **3969 Fourth Avenue, Third Floor, San Diego, CA 92103-3019**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

Marc D. Lair
Talon Aviation LLC

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 14th **day of March, 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
Marc D. Lair
Talon Aviation LLC

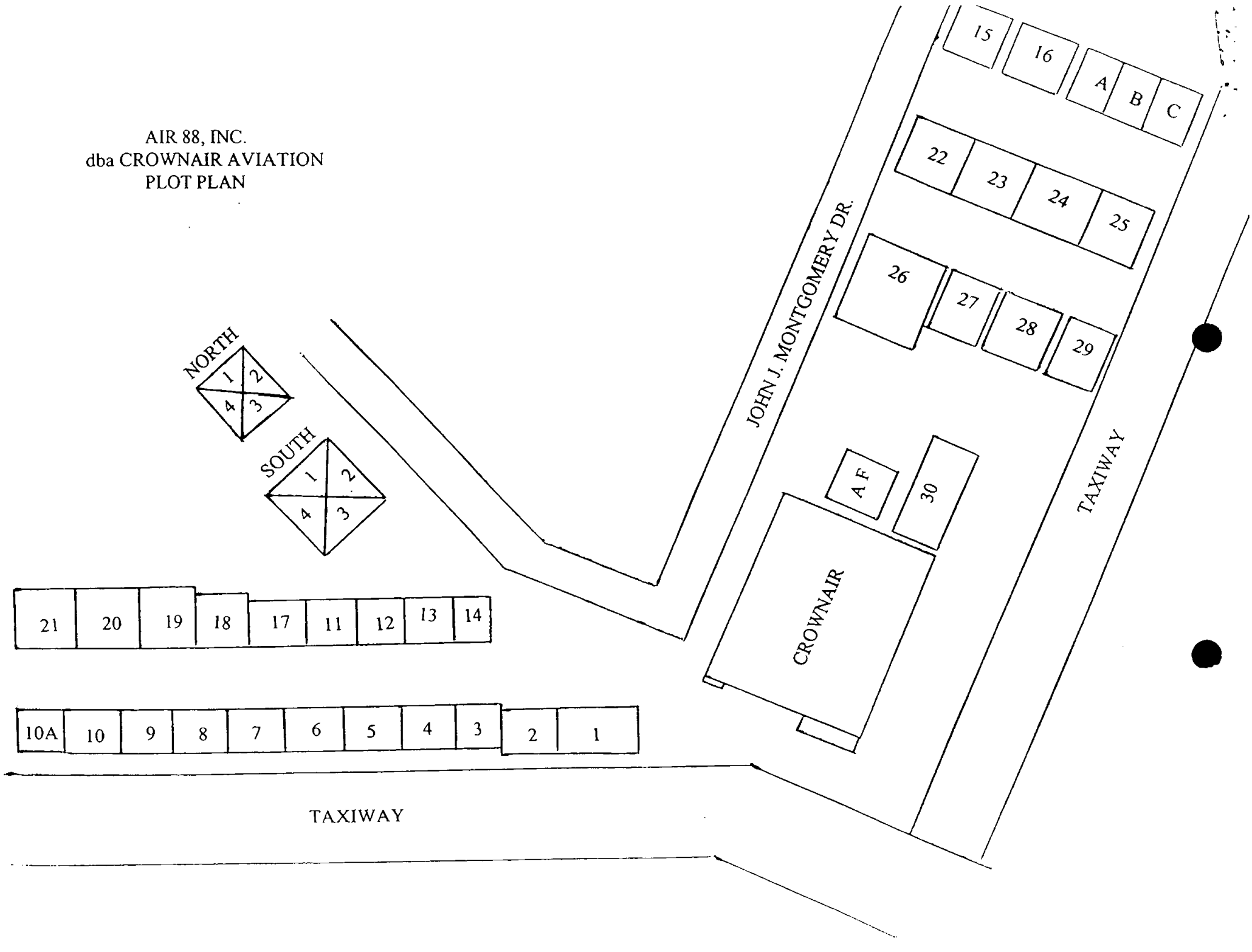
3969 Fourth Avenue, Third Floor
San Diego, CA 92103-~~3820~~ 3109
800-327-5906 (ph) 619-298-0788 (F)

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 14, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



ASSIGNMENT

I, ROBERT W. SHERWOOD, hereby assign all of my right, title, and interest in **RIVERPLACE LLC, which owns a Cessna 340A Aircraft, Registration No. N171DB, Serial No. 340A-1257,** to ROBERT W. SHERWOOD, as Trustee, UDT dated March 12, 1998, wherein ROBERT W. SHERWOOD is the Trustor, or any Successor Trustee thereunder.

7-28-99
Date

Robert W. Sherwood
ROBERT W. SHERWOOD

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On July 28, 1999, before me, the undersigned, a Notary Public in and for said County and State, personally appeared ROBERT W. SHERWOOD, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

MARY BRUMBAUGH
Comm. # 1084393
NOTARY PUBLIC - CALIFORNIA
San Diego County
My Comm. Expires Jan 24, 2000

Notary Public

BILL OF SALE

KNOW ALL MEN BY THESE PRESENT: That in consideration of the receipt of which is hereby acknowledged, the undersigned does sell, transfer, and deliver unto RIVERPLACE LLC (Robert Sherwood) its right, title and interest in and to the following described aircraft hangar:

LOCATION: 3753 John J. Montgomery Drive, Lot #14 on Land leased by Air 88, Inc. dba Crownair Avaition, Montgomery Field, San Diego, CA 92123

The said seller hereby warrants that he is the lawful owner of said hangar, that it is free from all liens and encumbrances, and that he has the right to sell the same, and that he will warrant and defend the title of same against the claim and demands of all persons whosoever.

Signed this 9th day of October, 2000

BY:

Marc D. Lair
Manager

Seller: Talon Aviation LLC

Address: 3969 Fourth Ave
San Diego

DORA- We are missing Page 1 of this Sublease — Please get a copy from Renee @ A-88 + Attach it to our filed copy Diana

CONSENT TO SUBLEASE AGREEMENTS

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and RONALD SCOTT, M.D., PHD., (SUBLESSEE), for Hangar Space #15 executed on April 8, 1997, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost of CITY. CITY has a future interest in the improvements, and SUBLESSEE shall not transfer its ownership of the hangars, relocate the hangars, or make major alterations that would decrease the value of the hangars without prior CITY approval.

THE CITY OF SAN DIEGO

Date: 6/22/98

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: July 1 1998

By: Priscilla Durand
Deputy City Attorney

file:scott.sub

DOCUMENT NO. OO-18298 -15

FILED JUL 08 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

CONSENT TO SUBLEASE AGREEMENTS

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and RONALD SCOTT, M.D., PHD., (SUBLESSEE), for Hangar Space #15 executed on April 8, 1997, attached hereto.

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THE CITY OF SAN DIEGO

Date: 6/22/98

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: July 1 1998

By: Prunella Durand
Deputy City Attorney

file:scott.sub

DOCUMENT NO. OO-18298 - 15

FILED JUL 08 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AIR 88, Inc.

3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to SCOTT, RONALD MD.PHD., herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' X 50'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 15

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 15) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on _____ and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises: GL

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #15 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_15_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_15_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_15_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _8008 Frost Street, Suite 100, San Diego, CA 92123-4206_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement

between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: MS MLL _____ GL _____ GL

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 8 day of April, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Ronald S. Scott
Margaret L. Scott
Signture

Ronald S. Scott, M.D., Ph.D.
Margaret L. Scott
Name (Print)

8008 Frost Street, Suite #100
Address

San Diego, CA 92123
City *State* *Zip*

619/560-4755
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

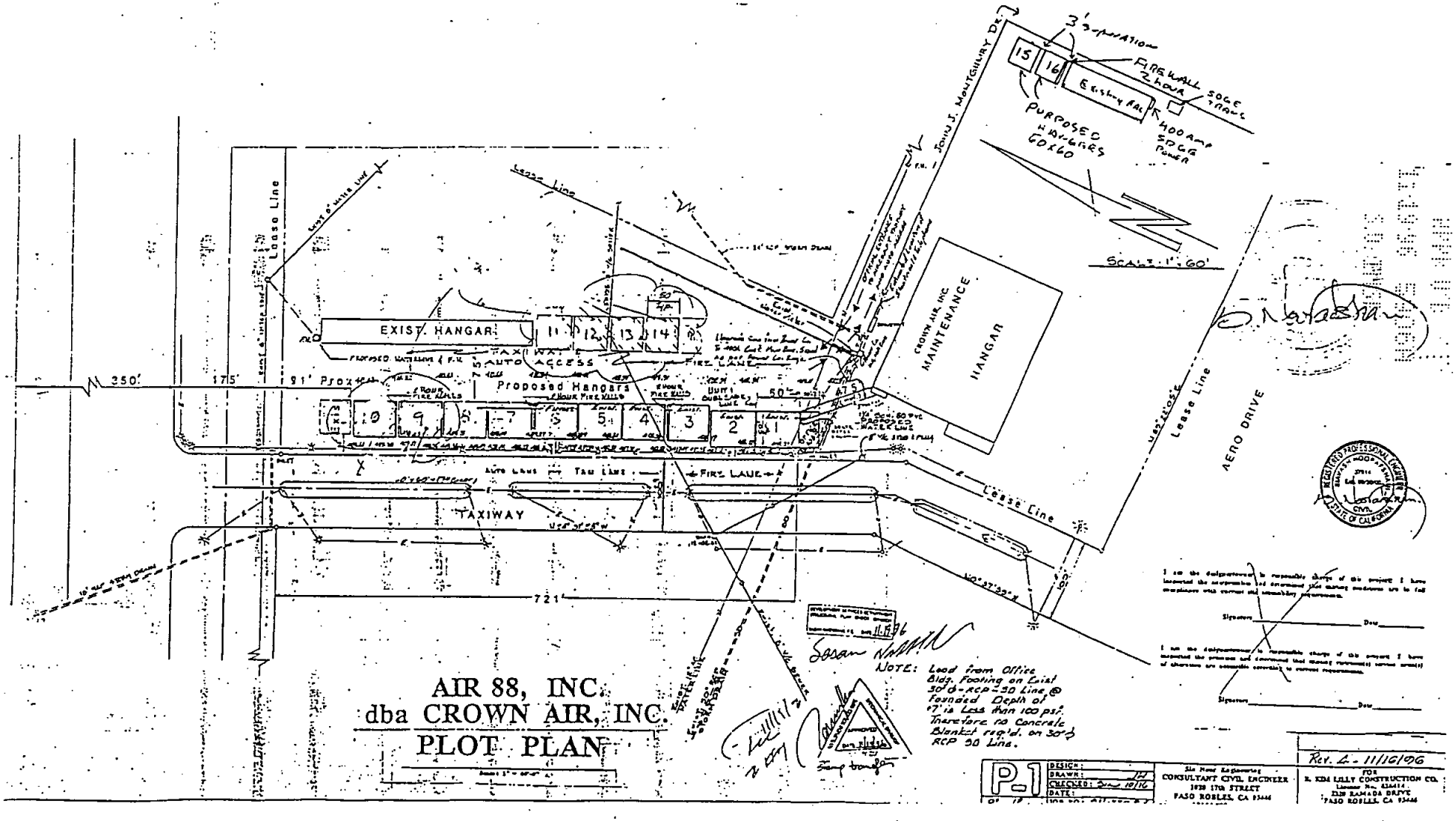
A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_15_, San Diego, CA 92123.

NOTE:
THIS IS ALL CITY AIRPORT PROPERTY. ALL EASEMENTS SUBJECT TO CITY LEASE WITH TENANT. ON CITY PROPERTY EASEMENTS ARE NOT RECORDED.

-E-	ELECTRICAL
-S-	SEWER
-W-	WATER
-SD-	STORM DRAIN
-T-	TELEPHONE

OCCUPANCY : S5

ROOF D.L. : 3 psf.
ROOF L.L. : 20 psf.
SEISMIC DESIGN : ZONE 4



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

NOTE: Lead from Office Bldg. Footing on Exist 30"ø - RCP - 30 Line @ Formed Depth of 7' is Less than 100 psf. Therefore no Concrete Blanket req'd. on 30"ø RCP 30 Line.

I am the Engineer in responsible charge of the project. I have reviewed the information and engineering plan sheets enclosed are to full compliance with current and reasonably ... requirements.

Signature _____ Date _____

I am the Engineer in responsible charge of the project. I have reviewed the ... and determined that ... requirements ... of ... are acceptable ... to current requirements.

Signature _____ Date _____

P-1	DESIGN:
	DRAWN: TH
	CHECKED: 10/16
	DATE:

Site Plan Engineering
CONSULTANT CIVIL ENGINEER
1020 17th STREET
PASO ROBLES, CA 93446

Rev. 2 - 11/16/06

FOR
R. KEN LILLY CONSTRUCTION CO.
License No. 434414
2130 RAMADA DRIVE
PASO ROBLES, CA 93446

Original

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on October 15, 1999 between the above LESSEE (SUBLESSOR) and Michael C. Borden (SUBLESSEE) for Hangar Space #16.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Michael C. Borden, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5.

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FILED MAR 06 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. **Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.**

b. **Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.**

c. **The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.**

5. **CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.**

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and Michael C. Borden
Hangar Space#16

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3-2-2000

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2-28-00

By: _____
Michael C. Borden

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 2/4/00

By: _____
Deputy City Attorney

File:cst.borden16

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Michael C. Borden**, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' x 60'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 16, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #16E also known as Hangar 16.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **February 1, 2000** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

   The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Three Hundred and Seventy Five ($375.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such

defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

   Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

    (a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

    (b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

    Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are

consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **3739 John J. Montgomery Dr., Unit #1, San Diego, CA 92123**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: GC

Giorgio Cagliero
Crownair Aviation

MCB

Michael C. Borden

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **15th day of October, 1999.**

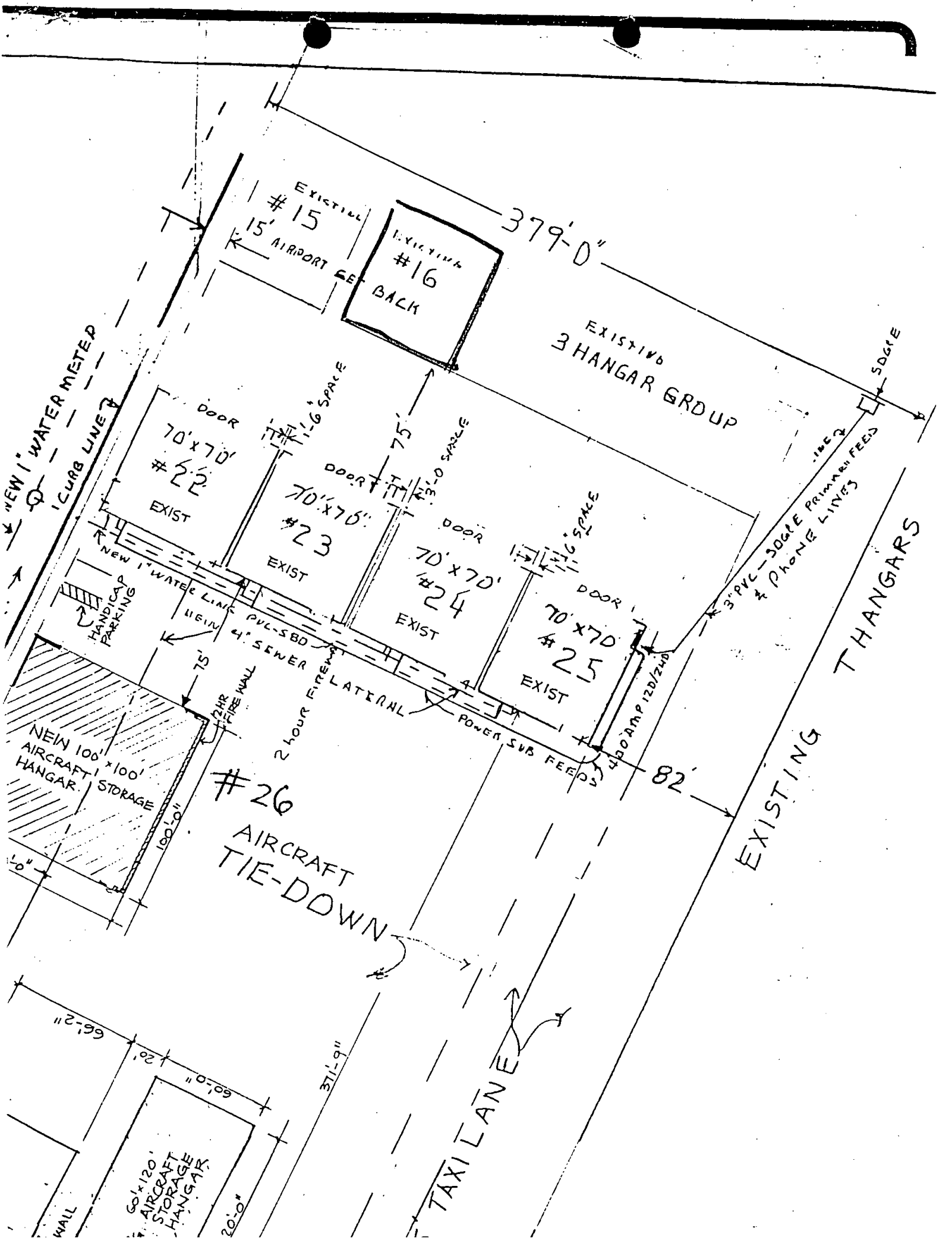
Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
Michael C. Borden

3753 John J. Montgomery Drive
San Diego, CA 92123
858-576-5000


379'-0"
EXISTING #15
15' AIRPORT SET BACK
EXISTING #16
EXISTING 3 HANGAR GROUP
NEW 1" WATER METER
1" CURB LINE
70'x70' #22 EXIST
70'x70' #23 EXIST
70'x70' #24 EXIST
70'x70' #25 EXIST
DOOR
1'-6" SPACE
3'-0" SPACE
75'
HANDICAP PARKING
NEW 1" WATER LINE PVC-SBD
4" SEWER LATERAL
2 HOUR FIRE WALL
3" PVC - 3 SGLE PRIMARY FEEDS & PHONE LINES
SGLE
LINE
480 AMP 120/240 POWER SUB FEEDS
82'
EXISTING T HANGARS
NEW 100'x100' AIRCRAFT STORAGE HANGAR
100'-0"
#26 AIRCRAFT TIE-DOWN
TAXI LANE
66'-2"
20'
0'-0"
371'-9"
60'x120' AIRCRAFT STORAGE HANGAR
20'-0"

CONSENT TO SUBLEASE AGREEMENTS

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement executed between the above LESSEE (SUBLESSOR) and JAMES MARTIN, (SUBLESSEE), for Hangar Space #16, executed on December 29, 1997, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost of CITY. CITY has a future interest in the improvements, and SUBLESSEE shall not transfer its ownership of the hangars, relocate the hangars, or make major alterations that would decrease the value of the hangars without prior CITY approval.

THE CITY OF SAN DIEGO

Date: 6/22/98

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: July 1, 1998

By: Priscilla Dinard
Deputy City Attorney

file:martin.sub

DOCUMENT NO. 00-18298-17
FILED JUL 0 8 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Terminated Sold to Borden

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to JAMES MARTIN, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' X 50'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 16.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 16) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 12/01/97 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 16 E on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 16 E and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 16 E and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 16 E and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 2448 Mango Way, Del Mar, CA 92014. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: JLM _____ OC _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 29 day of Dec, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Jim Martin
Signture

Jim Martin
Name (Print)

2448 Mango Way
Address

Del Mar CA 92014
City *State* *Zip*

619 794 8144
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_16 E_, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., a California Corporation, dba CROWNAIR, a California Corporation, (LESSEE) and _____ (SUBLESSEE) filed in the Office of the City Clerk as Document _____, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and _____ (SUBLESSEE), executed on _____.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions: In the event the lease is terminated, CITY shall agree to an attornment, under the conditions set forth in Section 2.C. of the Sublease.

THE CITY OF SAN DIEGO

Dated: _____

By: _____
Deputy Director, Airports
Real Estate Assests Department

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: _____

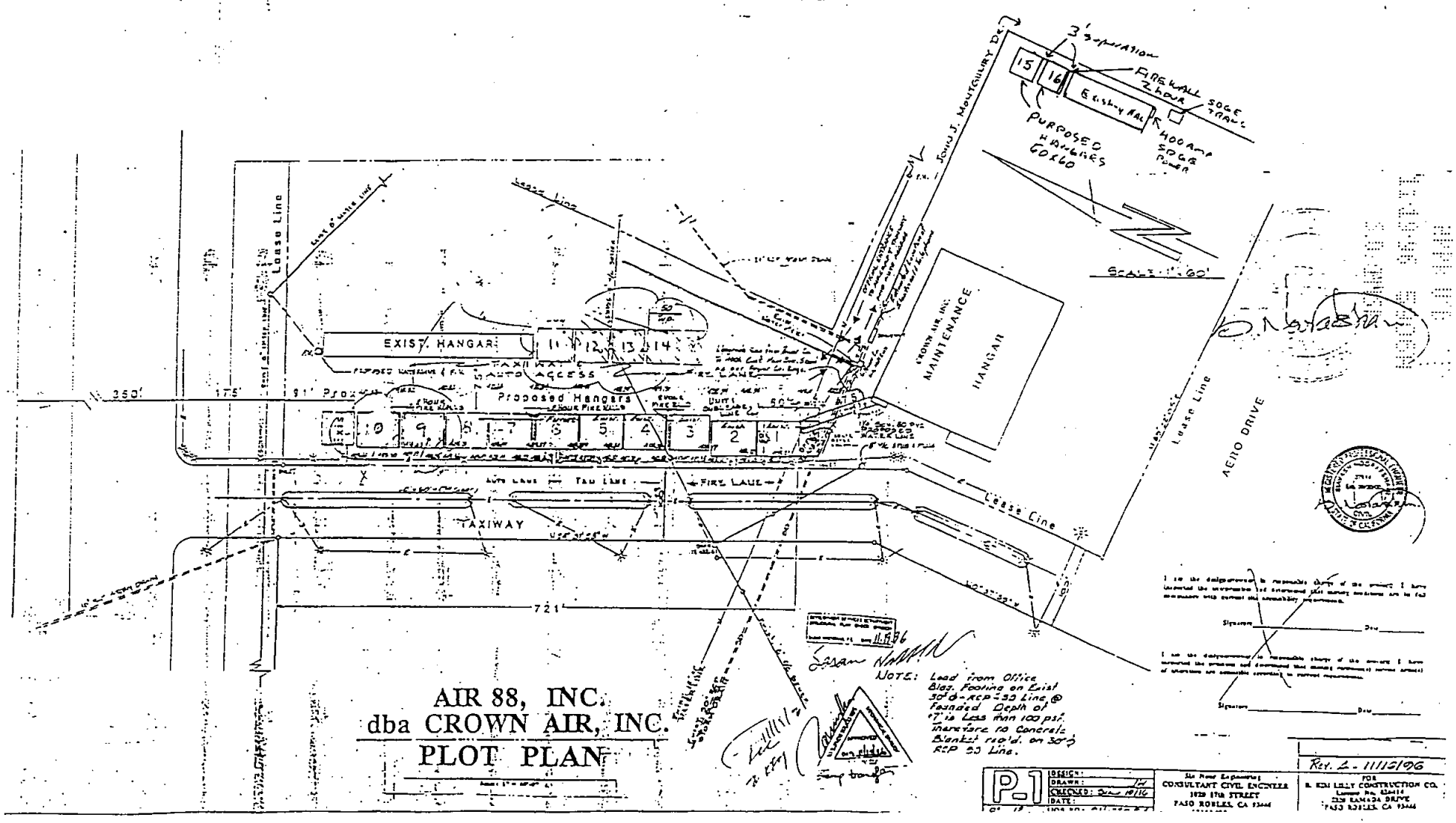
By: _____
Chief Deputy City Attorney

NOTE:
THIS IS ALL CITY AIRPORT PROPERTY. ALL EASEMENTS SUBJECT TO CITY LEASE WITH TENANT. ON CITY PROPERTY EASEMENTS ARE NOT RECORDED.

-E- ELECTRICAL
-S- SEWER
-W- WATER
-SD- STORM DRAIN
-T- TELEPHONE

OCCUPANCY : S5

ROOF D.L. : 3 psf.
ROOF L.L. : 20 psf.
SEISMIC DESIGN : ZONE 4



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

NOTE: Load from Office Bldg. Footing on Exist 30"ϕ-RCP-S5 Line, @ Founded Depth of "I" is Less than 100 psf. therefore to Conceal: Blanket req'd. on 30"ϕ RCP S5 Line.

Rev. 2 - 11/12/96

P-1

DESIGN:
DRAWN: JH
CHECKED: Dec 10/16
DATE:

CONSULTANT CIVIL ENGINEER
1020 12th STREET
PASO ROBLES, CA 93446

FOR
R. KEN LILLY CONSTRUCTION CO.
License No. 424414
2230 RAMADA DRIVE
PASO ROBLES, CA 93446

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on February 22, 2000 between the above LESSEE (SUBLESSOR) and Airport Rental & Leasing Company (SUBLESSEE) for Hangar Space #17.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Airport Rental & Leasing Company, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

DOCUMENT NO. 00-18298-2B
FILED MAR 09 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/7/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2/22/00

By: _____
Airport Rental & Leasing Company
Kim Lilly

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/7/00

By: _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Airport Rental & Leasing Company**, herein called "Sublessee", the land for a hangar measuring fifty feet by fifty feet (50' x 50'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #17 also known as Hangar #17.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #17) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on Date of **March 30, 2000** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay **10% of tenant rental rate** per monthly period. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

   The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

   If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

   (a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
   Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

   (b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

   (c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for

said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **P.O. Box 1885, Paso Robles, CA 93447**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

_____
Airport Rental & Leasing Company
Kim Lilly

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Entry and Inspection. Sublessor 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.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **22th day of February 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair Aviation, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

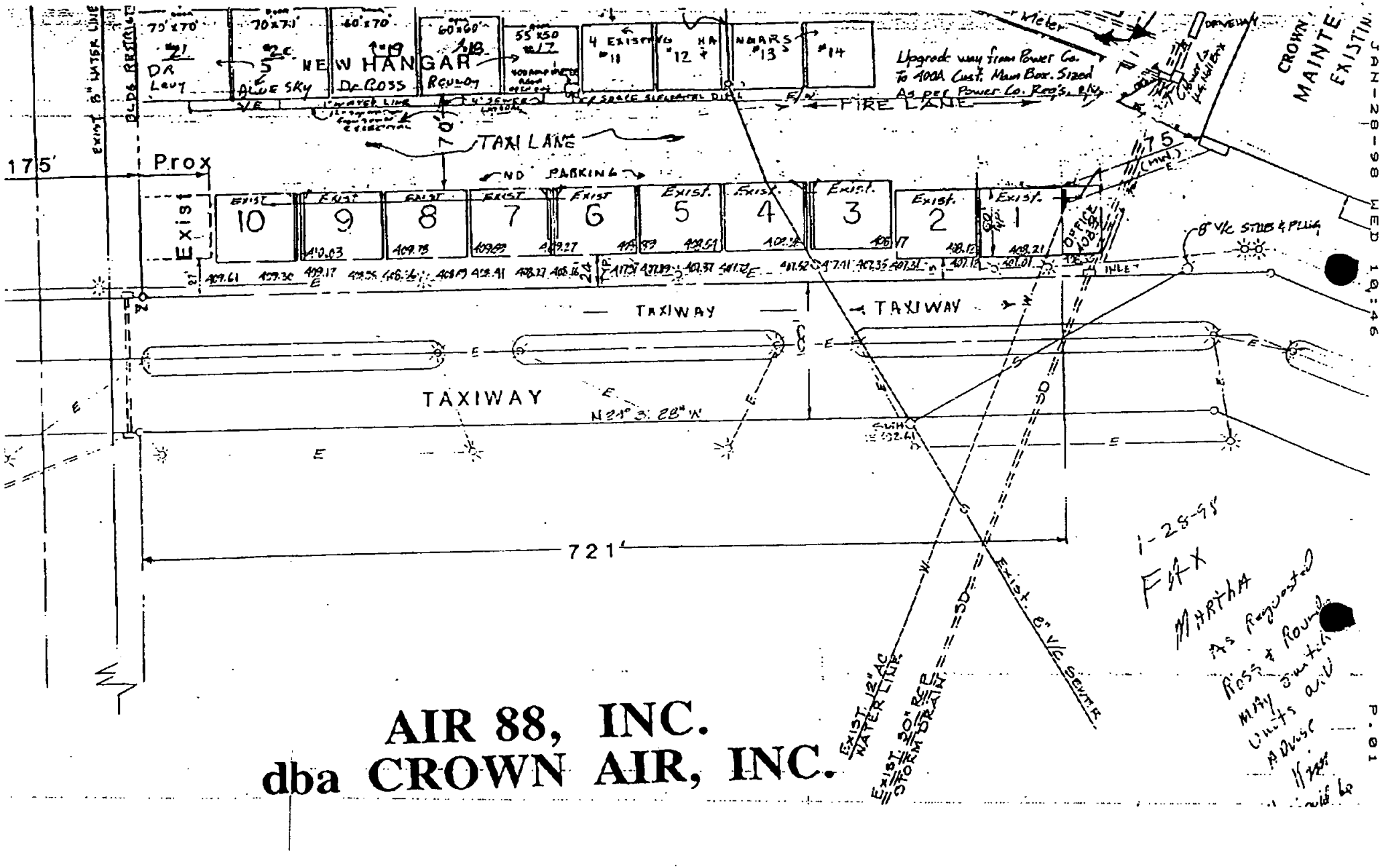
_____
Airport Rental & Leasing Company
Kim Lilly, Owner

2320 Ramada Drive
Paso Robles, CA 93446
805-238-9477 (ph) 805-238-9424 (fax)

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_17_, San Diego, CA 92123.



AIR 88, INC.
dba CROWN AIR, INC.

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Darrow & Elizabeth Roundy, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 18N.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 18N) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on July 16, 1998 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

CONSENT TO SUBLEASE AGREEMENTS

The City of San Diego [CITY], as LESSOR under that certain Lease Agreement [Master Lease] entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, [LESSEE] which is filed in the Office of the City Clerk as Document 00-18298, consents to LESSEE's subleasing the property to Darrow and Elizabeth Roundy [SUBLESSEE] for Hangar Space #18N. The CITY does not consent to any individual term of the Sublease and does not agree to be bound to the SUBLESSEE in any respect by this consent.

The Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY's option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. SUBLESSEE shall not transfer its ownership of the hangars, relocate the hangars, or make major alterations that would decrease the value of the hangars without prior CITY approval.

Date: 8/6/98

THE CITY OF SAN DIEGO

By: Isaac B. Williams
for Supervising Property Agent

Date: August 13 1998

APPROVED AS TO FORM:

CASEY GWINN, City Attorney

By: Prescilla Dugard
Prescilla Dugard
Deputy City Attorney

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OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 360.00 (Three hundred sixty dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #_18N_ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_18N_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #18N and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_18N_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _4689 Convoy Street, San Diego, CA 92111_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 2nd day of December, 1997

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Elizabeth Roundy
Darrow Roundy
Signture

ELIZABETH J. ROUNDY
DARROW C. ROUNDY
Name (Print)

P.O. Box 675520
Address

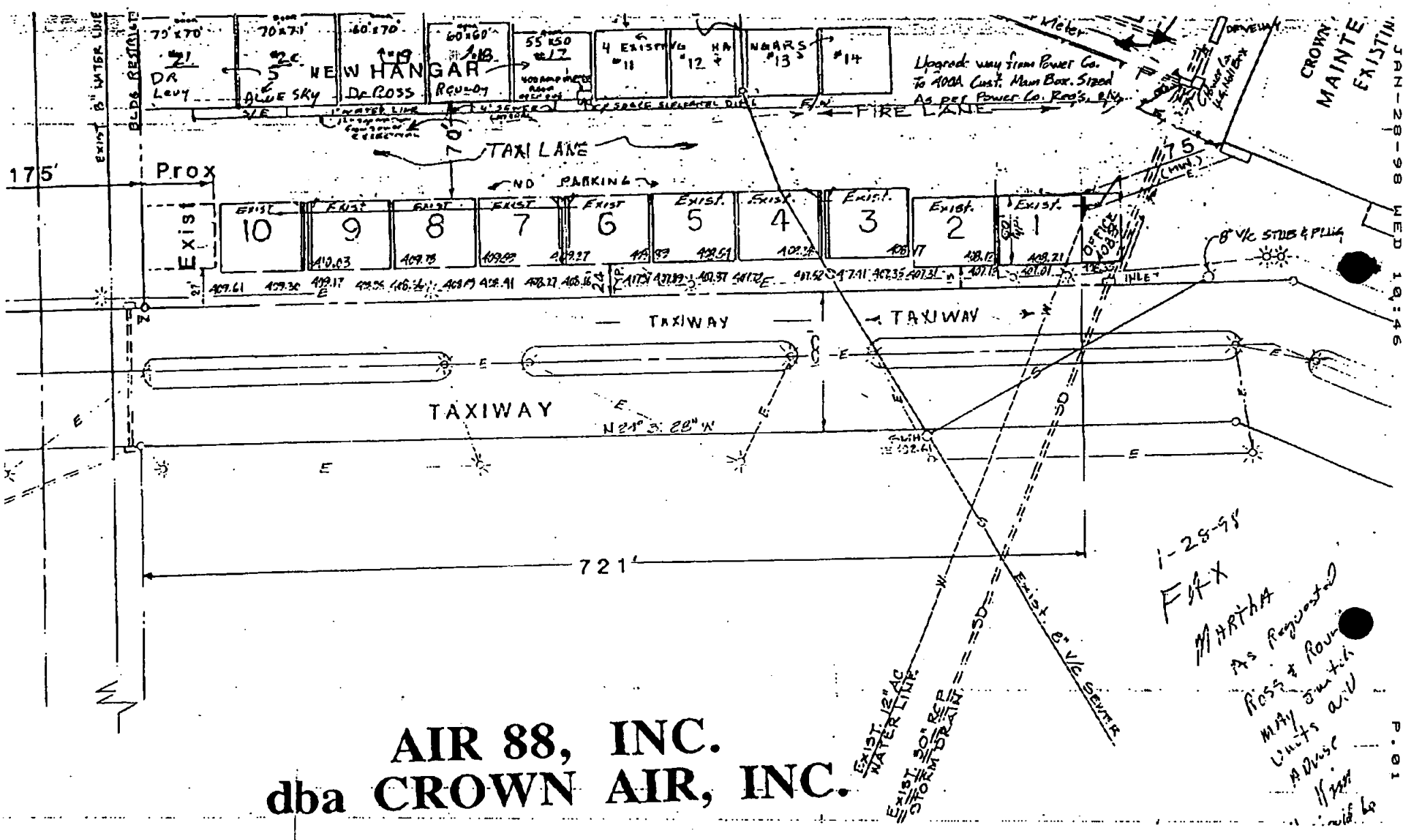
Rancho Santa Fe, Ca. 92067
City *State* *Zip*

619- 756-6644
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_18N_, San Diego, CA 92123.


NEW HANGAR
TAXI LANE
FIRE LANE
NO PARKING
TAXIWAY
TAXIWAY
TAXIWAY
721'
175'
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Exist
Upgrade way from Power Co.
To 400A Cust. Main Bus. Sized
As per Power Co. Req's.
CROWN AIR MAINTE EXISTIN
8" V/C STUB & PLUG
EXIST. 12" AC WATER LINE
EXIST. 30" RCP STORM DRAIN
EXIST. 8" V/C SEWER
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As requested
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dba CROWN AIR, INC.
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CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed August 31, 2000 between the above LESSEE (SUBLESSOR) and Timothy K. Sears (SUBLESSEE) for Hangar Space #19 (Sublet Premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to Air 88, Inc. subleasing to Timothy K. Sears and the uses stated in paragraph 8. Use of the Premise in the Sublease. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. HELICOPTERS. All helicopters operating from Montgomery Field Airport must take off and land at the City's Public Heliport and be towed to and from the hangar where it is stored, unless otherwise specifically instructed by CITY or FAA.

2. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 3. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

3 CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of

DOCUMENT NO. 00-18298-4
FILED JAN 03 2001
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 12-28-00

By: Tracy L. Means
~~Supervising Property Agent~~
Deputy Director

SUBLESSEE:

Date: 12/14/00

By: _____
Timothy K. Sears

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 11/29/00

By: _____
Deputy City Attorney

File: air88.Sears 19

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Timothy K. Sears**, herein called "Sublessee", the land for a hangar measuring sixty feet by seventy feet (60' x 70'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #19 also known as Hangar #19.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #19) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Four Hundred and Thirty ($430.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements

other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City, including filing fees

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee **PO Box 2093 Del Mar, CA 92014**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____

Giorgio Cagliero
Crownair Aviation

_____

Timothy K. Sears

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

25. Time of Essence. Time is expressly declared to be of the essence of this sublease.

26. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **31st day of August, 2000.**

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Giorgio Caglieri, President

Sublessee:

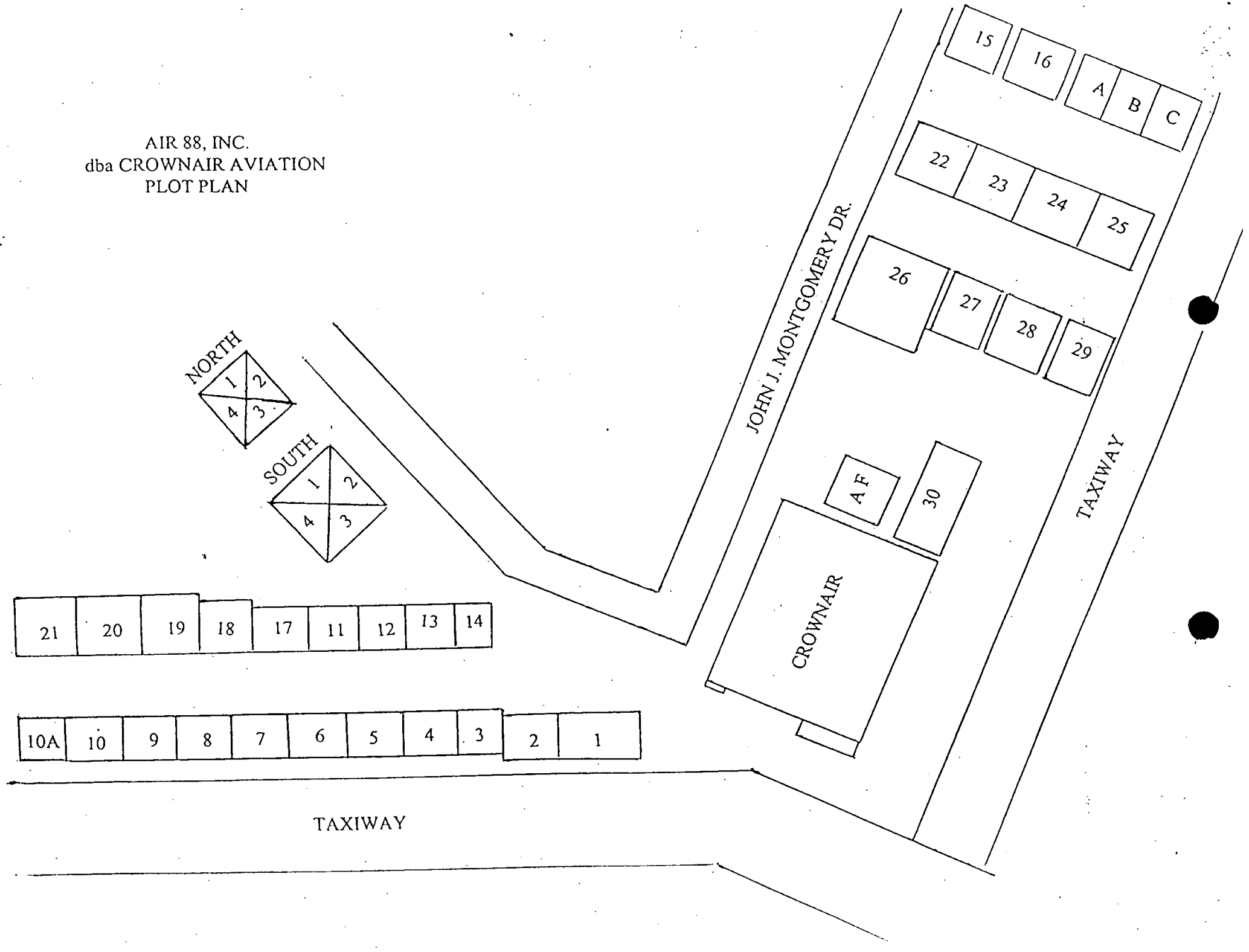
_____
Timothy K. Sears
251 - 24th St.
PO Box 2093
Del Mar, CA 92014
858-481-4096

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit # 7, San Diego, CA 92123

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and Dr. Allen L. Ross, (SUBLESSEE), for Hangar Space #19 executed on September 22, 1998 and commencing on February 15, 1999.

The Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its improvements on the premises; sublet the improvements; relocate the improvements, or make major alterations to the improvements without prior written authorization from the CITY in each instance.

Conditions for Accepting Attornment (Section 2. of Sublease): If the master lease is terminated early, the CITY will allow SUBLESSEE to attorn to CITY, as its SUBLESSEE. under the Sublease Agreement, with the following conditions:

(1) SUBLESSEE is not in default of the Sublease Agreement.

(2) CITY may adjust the sublease rent upon the date of the attornment and every two and one-half year periods of the remaining sublease term by the CPI adjustment method set forth in Section 3 Rent, subparagraph b. of the Master Lease.

(3) CITY may amend the Sublease to comply with all current laws, ordinances and airport policies the CITY determines are applicable to the Sublease.

DOCUMENT NO. 00-18298-18
FILED FEB 24 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

THE CITY OF SAN DIEGO

Date: 2/4/99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 2/15/99

By: _____
Deputy City Attorney

File: a:hgr20n

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Dr. Allen L. Ross, herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (60' X 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 19

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 19) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 02/15/99 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City shall be made prior to termination of the Master Lease. The terms of the extension or new Sublease will, subject to approval by the City, be proportional to the rent in this Sublease and to the percentage (%) increase to the new or extended Master Lease. In the event of attornment, the rent may be increased to market rate.

(b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $420.00 (Four hundred twenty dollars) per monthly period, payable in advance, on the first of each month for the full term of this Lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123-1795, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 19 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the

Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of

this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_19_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_19_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_19_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _5413 Renaissance San Diego, CA 92122_____. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: MCL AIR

For CROWNAIR DR. ALLAN ROSS

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

Sep.22. 1998 2:01PM 619-268-0764 MICROGRAVITY CORP No.1207 P.1

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 22 day of 9, 1998

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signature

Dr. Allen L. Ross
Name (Print)

5413 Renaissance
Address

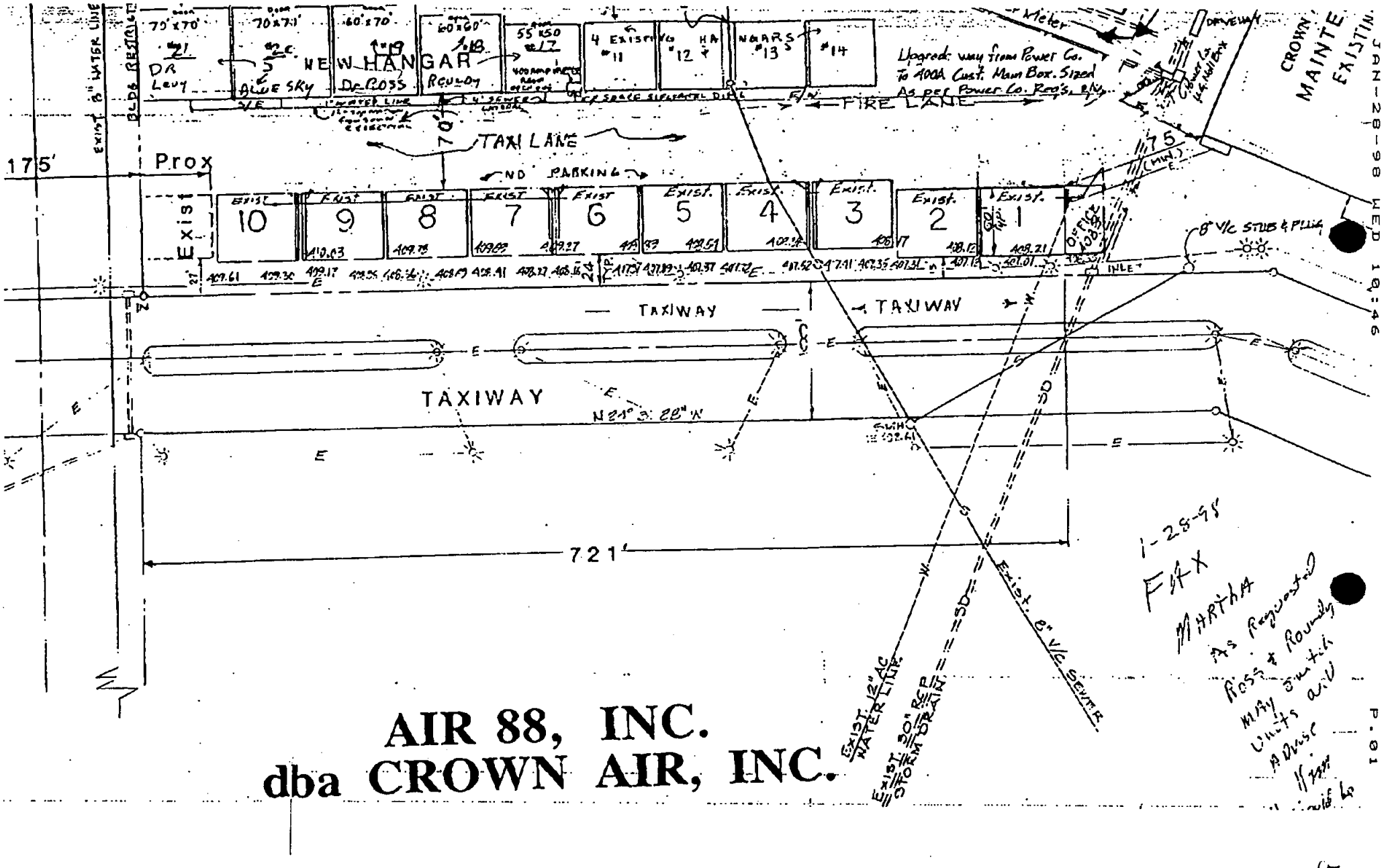
San Diego, CA 92122
City *State* *Zip*

619/268-0164 X102
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_19_, San Diego, CA 92123.



AIR 88, INC.
dba CROWN AIR, INC.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), executed between the above LESSEE (SUBLESSOR) and Blue Sky Aviation, (SUBLESSEE), for Hangar Space #20N executed on January 12, 1998 and commencing on March 1, 1999, attached hereto.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If the CITY elects to take ownership of the improvements, SUBLESSEE will transfer ownership of the improvements to CITY free and clear of any encumbrances, at no cost of CITY. Since the CITY may have a future ownership interest in the improvements SUBLESSEE will not: transfer its ownership in the improvements, sublet all or a portion of the improvements, relocate the improvements, or make major alterations to the improvements hangars without the CITY's prior written approval in each instance.

Conditions for Accepting Attornment (Section 2. of Sublease): If the Master Lease is terminated early, the CITY will allow SUBLESSEE to attorn to CITY, as its SUBLESSEE. under the Sublease Agreement, with the following conditions:

(1) SUBLESSEE is not in default of the Sublease.

(2) CITY may adjust the Sublease rent upon the date of the attornment and every two and one-half year periods of the remaining Sublease term by the CPI adjustment method set forth in Section 3 Rent, subparagraph b. of the master lease.

(3) CITY may amend the Sublease to comply with all current laws, ordinances and airport policies the CITY determines are applicable to the Sublease.

DOCUMENT NO. 00-18298-19
FILED FEB 24 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

February 2, 1999
CONSENT TO SUBLEASE AGREEMENT
AIR 88, INC. AND BLUE SKY AVIATION

THE CITY OF SAN DIEGO

Date: 2/1/99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 2/15/99

By: _____
Deputy City Attorney

File: a:hgr20n

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to Blue Sky Aviation, herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' X 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Percentage Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 20N*

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 20N*) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 03/01/99 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City shall be made prior to termination of the Master Lease. The terms of the extension or new Sublease will, subject to approval by the City, be proportional to the rent in this Sublease and to the percentage (%) increase to the new or extended Master Lease. In the event of attornment, the rent may be increased to market rate.

(b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $490.00 (Four hundred ninety dollars) per monthly period, payable in advance, on the first of each month for the full term of this Lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123-1795, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 490.00 (Four hundred ninety dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #_20N*_ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in

favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 20N* and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #20N* and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 20N* and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at P.O. Box 371347, San Diego, CA 92137-1347. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement

between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: GL

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 12 day of January, 1998

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signature

Ronald L. Neeley
Name (Print)

P.O. Box 371347
Address

San Diego, CA 92137
City *State* *Zip*

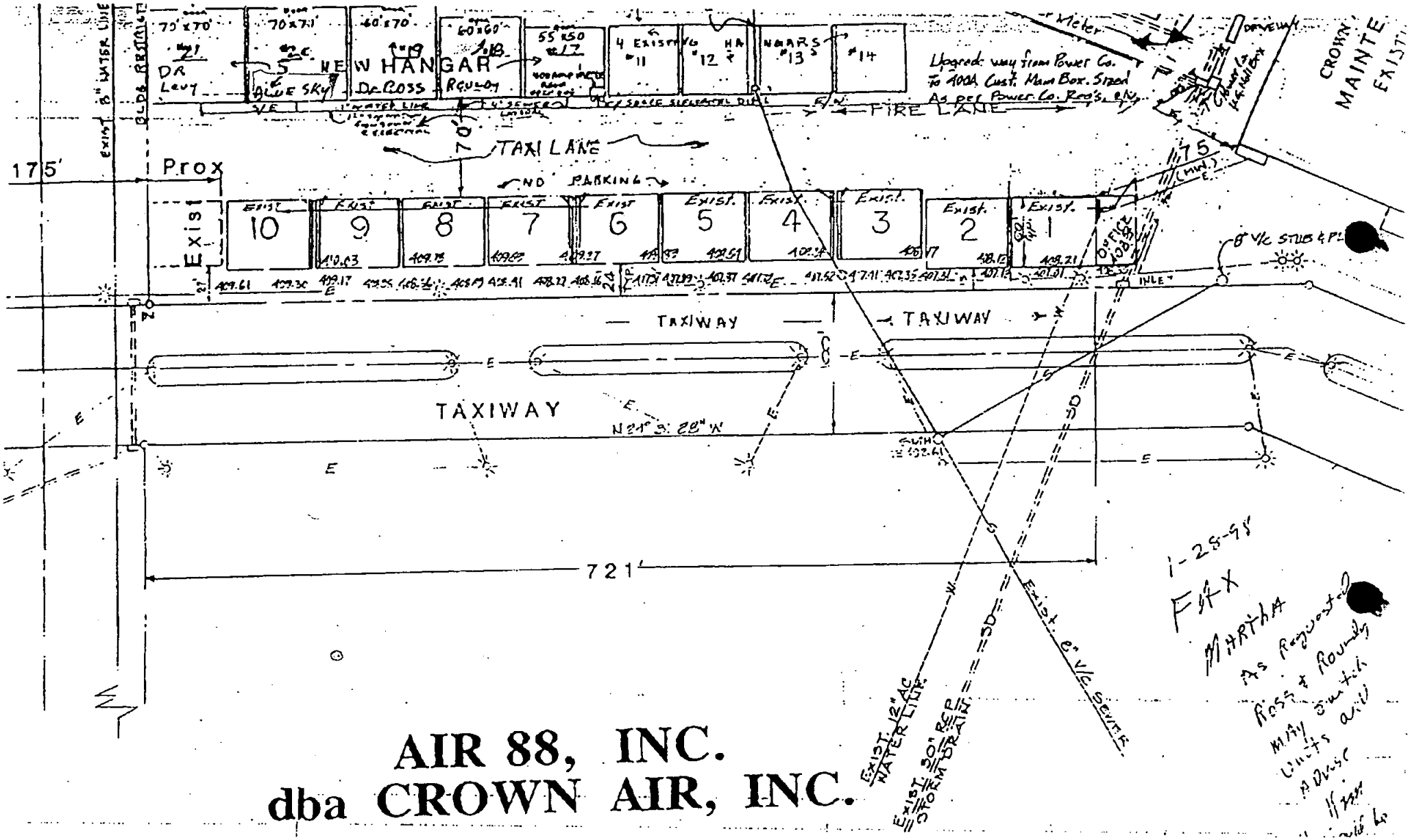
(619)542-6100
area code *phone number*

* 2nd hangar, north end, row 2.

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_20N*_, San Diego, CA 92123.



AIR 88, INC.
dba CROWN AIR, INC.

Signed

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and Mark and Diana Levy, (SUBLESSEE), for Hangar Space #21, commencing on March 18, 1999.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its improvements on the premises; sublet the improvements; relocate the improvements, or make major alterations to the improvements without prior written authorization from the CITY in each instance.

Conditions for Accepting Attornment (Section 2. of Sublease): If the master lease is terminated early, the CITY will allow SUBLESSEE to attorn to CITY, as its SUBLESSEE. under the Sublease Agreement, with the following conditions:

(1) SUBLESSEE is not in default of the Sublease Agreement.

(2) CITY may adjust the sublease rent upon the date of the attornment and every two and one-half year periods of the remaining sublease term by the CPI adjustment method set forth in Section 3 Rent, subparagraph b. of the Master Lease.

(3) CITY may amend the Sublease to comply with all current laws, ordinances and airport policies the CITY determines are applicable to the Sublease.

DOCUMENT NO. 00-18298-20

FILED MAR 22 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

February 2, 1999
CONSENT TO SUBLEASE AGREEMENT
AIR 88, INC. AND Mark & Diana Levy

THE CITY OF SAN DIEGO

Date: 2/25/99

By: _____
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: March 17, 1999

By: _____
Deputy City Attorney

File: AIR88hgr21

AIR 88, Inc.
3753 John J. Montgomery Dr., San Diego, CA 92123
Phone (619) 277-1453 Fax (619) 277-7591

SUBLEASE

AIR 88, INC., a California corporation, herein called "Sublessor", hereby subleases to MARK & DIANA LEVY, herein called "Sublessee", the land for a hangar measuring sixty feet by sixty feet (60' X 60'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises" located on all of that certain real property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" and described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as space # 21

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar ("Hangar # 21) on the Premises from B. Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the Premises from Sublessor.

2. Term.

(a)This Sublease shall commence on 03/18/99 and shall end on May 31, 2016, unless sooner terminated as provided herein . In the event the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City shall be made prior to termination of the Master Lease. The terms of the extension or new Sublease will, subject to approval by the City, be proportional to the rent in this Sublease and to the percentage (%) increase to the new or extended Master Lease. In the event of attornment, the rent may be increased to market rate.

(b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay $4083.00 (Four thousand eighty three dollars) per annual period, payable in advance, on the first of each month for the full term of this Lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123-1795, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # _____ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the

Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of

this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #21 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #21 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #21 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 6805 N JOSHUA TREE LANE, PARADISE VALLEY AZ 85253. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 18th day of Feb, 19 99

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

Name (Print)

Address

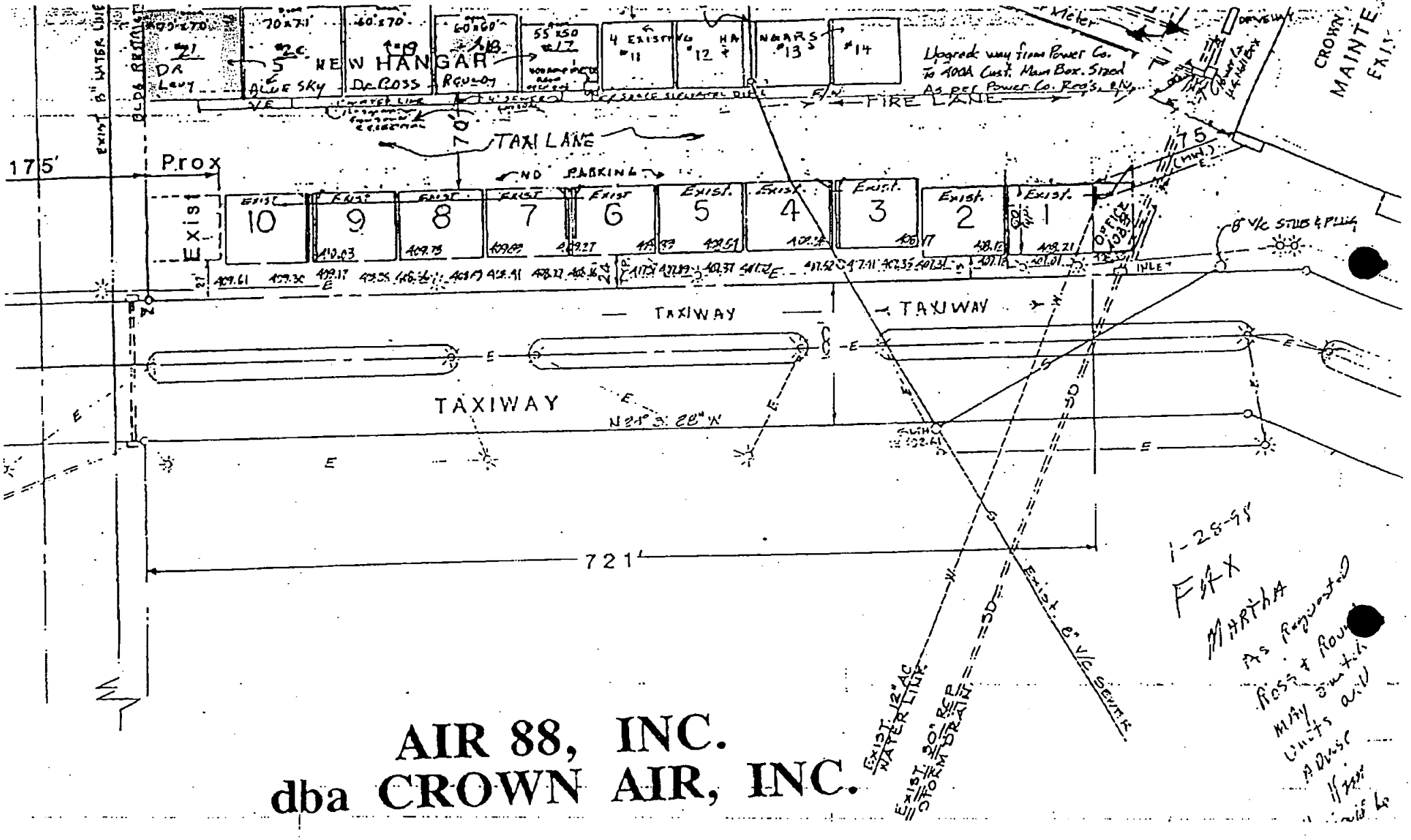
City *State* *Zip*

area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #21, San Diego, CA 92123.



AIR 88, INC.
dba CROWN AIR, INC.

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on October 15, 1999 between the above LESSEE (SUBLESSOR) and John Downing (SUBLESSEE) for Hangar Space #22.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving John Downing, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5.

DOCUMENT NO. 00-18298-3

FILED JUN 07 2000

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and John Downing
Hangar Space # 22

APPROVALS:

THE CITY OF SAN DIEGO

Date: 6/5/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: _____

By: _____
John Downing

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 5/1/00

By: _____
Deputy City Attorney

File: rev.downing 22

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **John Downing**, herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #22 also known as Hangar #22.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #22) on the Premises built by B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining:
- the rights to the Premises under this sublease and
- the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay a flat-rate of **Four Hundred and Ninety ($490.00) dollars per month**. Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for the disposal of normal trash.
Any utilities to be paid by sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for

said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft not owned and operated, previously sold or held for resale, so as to be a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

   Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City harmless from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

12. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and authorized to conduct insurance business in the Sate of California:

    (a) Minimum coverage shall be $1,000,000.00 combined single limit liability. Sublessor and Sublessee shall be named as co-insured and "THE CITY OF SAN DIEGO" shall be named as an additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **2052 Galveston St., San Diego, CA 92110**. Notices and demands shall be addressed to Sublessor c/o **Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: GC

Giorgio Cagliero
Crownair Aviation

John Downing

22. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

23. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

24. Entry and Inspection. Sublessor 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.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **9th day of January 2000.**

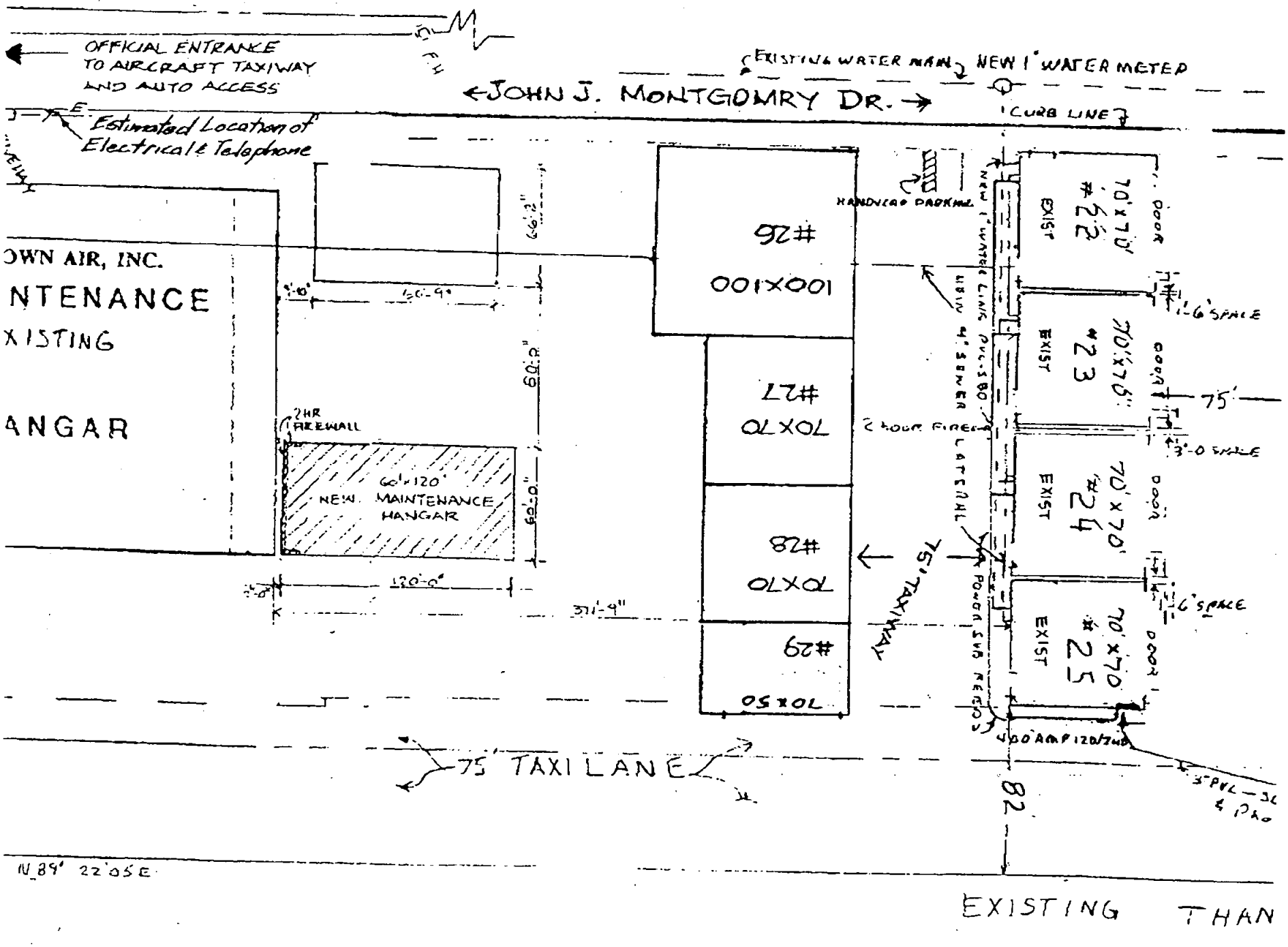
Sublessor:
Air 88, Inc. d/b.a. Crownair Aviation, a California corporation

by: _____
Giorgio Cagliero, President

Sublessee:

_____
John Downing

2052 Galveston St.
San Diego, CA 92110
619-275-2272 (Toni Leadingham, CPA)



JAN-11-00 TUE 15:06
P.02
EXHIBIT R

CERTIFICATE OF INCORPORATION

OF

ABIQUIU DEVELOPMENT, INC.

* * * * * * *

1. The name of the corporation is

ABIQUIU DEVELOPMENT, INC.

2. The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

4. The total number of shares of stock which the corporation shall have authority to issue is One Thousand (1,000) and the par value of each of such shares is One Cent ($0.01) amounting in the aggregate to Ten Dollars ($10.00).

5A. The name and mailing address of each incorporator is as follows:

NAME	MAILING ADDRESS
M. C. Kinnamon	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
V. A. Brookens	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801
A. S. Wright	Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is our act and deed and the facts herein stated are true, and accordingly have hereunto set our hands this 9th day of March, 1983.

M. C. Kinnamon, Incorporator

V. A. Brookens, Incorporator

A. S. Wright, Incorporator

The name and mailing address of each person who is to serve as a director until the first annual meeting of the stockholders or until a successor is elected and qualified, is as follows:

NAME	MAILING ADDRESS
John C. Downing	790 Neptune Avenue Encinitas, California 92024

6. The corporation is to have perpetual existence.

7. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to make, alter or repeal the by-laws of the corporation.

8. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide.

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws may provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation.

9. The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

10. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit.

CERTIFICATE OF MERGER

OF

N300SP CORPORATION

INTO

ABIQUIU DEVELOPMENT, INC.

* * * * *

The undersigned corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the name and state of incorporation of each of the constituent corporations of the merger is as follows:

NAME	STATE OF INCORPORATION
N300SP Corporation	California
Abiquiu Development, Inc.	Delaware

SECOND: That an agreement and plan of merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 252 of the General Corporation Law of the State of Delaware.

THIRD: That the name of the surviving corporation of the merger is Abiquiu Development, Inc.

FOURTH: That the certificate of incorporation of Abiquiu Development, Inc. shall be the certificate of incorporation of the surviving corporation.

FIFTH: That the surviving corporation is a Delaware corporation.

SIXTH: That the executed agreement and plan of merger is on file at the principal place of business of the surviving corporation. The address of the principal place of business of the surviving corporation is Rural Route 4, 857 A Tano Road, Santa Fe, New Mexico 87501.

SEVENTH: That a copy of the agreement and plan of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of any constituent corporation.

EIGHTH: That the authorized capital stock of N300SP is 1,000,000 shares of common stock with no par value.

Dated: April 9, 1993

ABIQUIU DEVELOPMENT, INC.

By: _____
John C. Downing, President

ATTEST:

By: _____
Toni Leadingham, Secretary

Original

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on April 10, 1998 between the above LESSEE (SUBLESSOR) and Liquid Investments, Inc. (SUBLESSEE) for Hangar Space #23.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Liquid Investments, Inc., as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

00-18298-31

DOCUMENT NO._____

FILED MAR 23 2000

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/20/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2/28/02

By: _____
Liquid Investments, Inc.
Jack F. Studebaker

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/17/00

By: _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **LIQUID INVESTMENTS INC.** , herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #23 also known as Hangar #23.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #23) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ $490.00 (four hundred ninety dollars per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 23 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces

requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with

Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written

notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_23_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #_23_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_23_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _Liquid Investments Inc.,8870 Liquid Court, San Diego, CA 92121_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding

arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: OC _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_23_, San Diego, CA 92123.

the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 10th day of APRIL, 1998

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

LIQUID INVESTMENTS, INC

by Jack F Studebaker, Jr
Signture

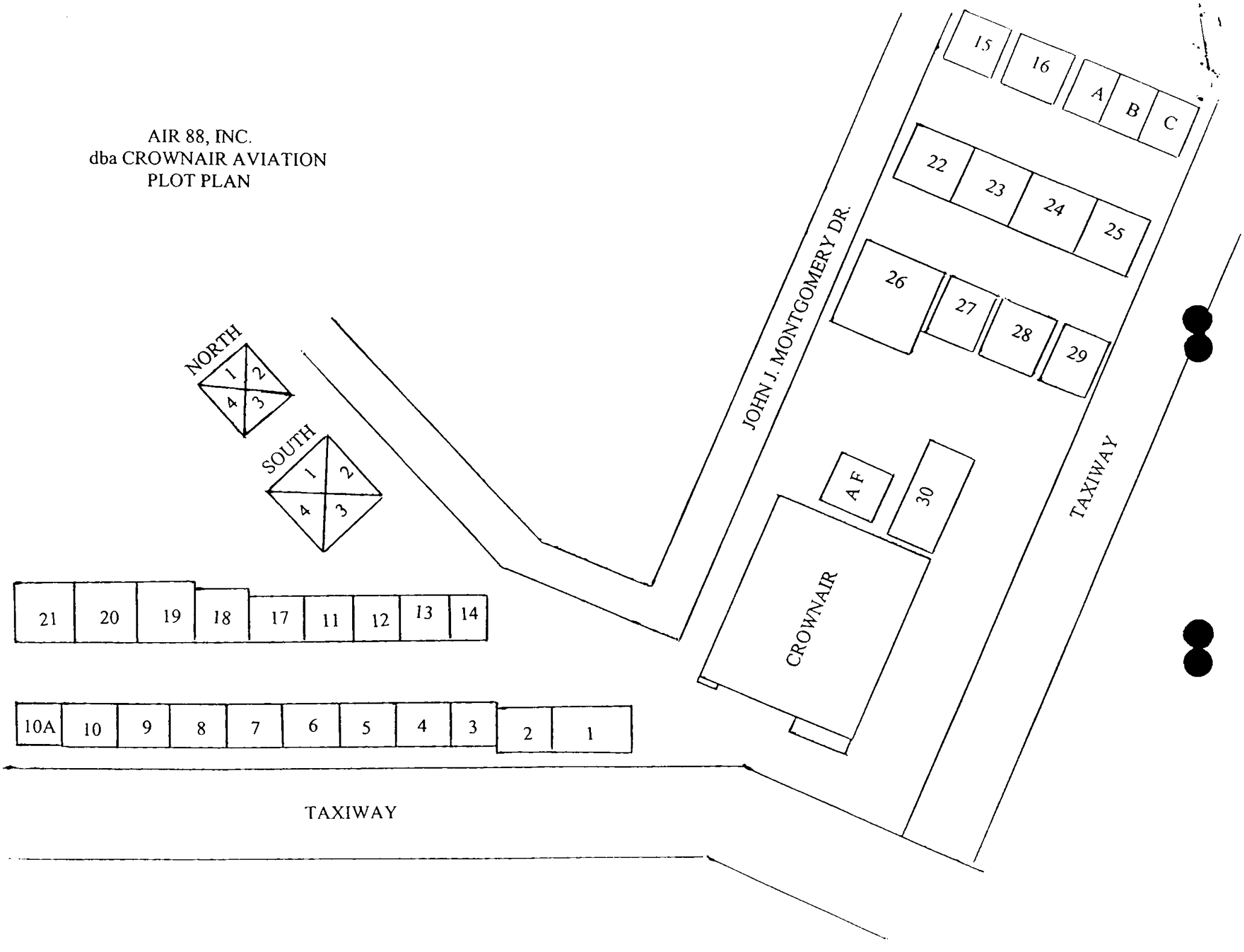
JACK F STUDEBAKER
Name (Print)

8870 LIQUID ct
Address

SAN DIEGO CA 92121
City *State* *Zip*

(619) 452-5907
area code *phone number*

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN



CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Air 88 Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Sublease Agreement dated October 25, 2005 between LESSEE (also referred to as SUBLESSOR) and

St. John Holdings. LLC (SUBLESSEE)

for a portion of LESSEEs leased premises, specifically Hangar 24, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The SUBLEASE shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the SUBLEASE. The CITY is not bound by any term or condition in the SUBLEASE which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the SUBLESSEE and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure SUBLESSEE does not assign the SUBLEASE or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY, its elected officials, officers, representatives, agents and employees from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of SUBLESSEE, its agents or invitees; provided, however, LESSEE and 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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its SUBLESSEE be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be one million dollars ($1,000,000) Combined Single Limit Liability. LESSEE shall require SUBLESSEE to file with CITY a copy of the policy of insurance which shall name "The City, its elected officials, officers, representatives, agents and employees" as an additional insured on a separate endorsement prior to SUBLESSEE'S occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

THE CITY OF SAN DIEGO

Dated 22 August 2006

By _____
Michael C. Tussey
Deputy Director, Airports Division

LESSEE

Dated 8/22/06

By _____
Kevin O'Donnell
Chief Executive Officer, Air 88 Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 8/23/06

By _____
Deputy City Attorney

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with AIR 88, INC., dba CROWNAIR, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and Michael Borden., (SUBLESSEE), for Hangar Space #24, commencing on May 15, 1999. The Consent is subject to the following conditions:

(1) Subordination: The Sublease will subordinate to the Master Lease in all respects. The CITY is merely approving the Sublessee, and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

(2) Ownership of Improvements on Premises: Ownership of all improvements constructed on the premises, now existing or subsequently constructed during the term of the lease, must be quit-claimed to the CITY, on some future date, at CITY'S option, as further described in Section 6.10 Ownership of Improvements and Personal Property of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. Since CITY may have a future ownership interest in the improvements, SUBLESSEE shall not: transfer the ownership of its improvements on the premises; sublet the improvements; relocate the improvements, or make major alterations to the improvements without prior written authorization from the CITY in each instance.

(3) Conditions for Attornment (Section 2. of Sublease): Providing SUBLESSEE is in compliance with its Sublease at such time as CITY terminates the Master Lease early, the CITY agrees to execute a lease agreement with SUBLESSEE for the sublet premise, at the then current appraised market rent, and in accordance with the terms and conditions of the City's then current standard lease agreement and for the term remaining on the Master Lease at its termination.

CITY further agrees to allow SUBLESSEE to temporarily attorn to the CITY, as its SUBLESSEE, under the terms and conditions of the terminated Master Lease until the new lease is executed between CITY and SUBLESSEE, at which time the new lease will supercede the terminated Master Lease and Sublease. SUBLESSEE must sign the new lease and submit the lease required proof of insurance coverage and any deposits to CITY within 60 days after receiving the new lease for signature from CITY, or CITY may terminate SUBLESSEE's tenancy with 30-days prior written notice.

DOCUMENT NO. 00-18298-22

FILED MAY 17 1999

OFFICE OF THE CITY CLERK

SAN DIEGO, CALIFORNIA

CONSENT TO SUBLEASE AGREEMENT
AIR 88, INC. AND MICHAEL BORDEN

APPROVALS:

THE CITY OF SAN DIEGO

Date: 5/10/99

By: _____
Supervising Property Agent

LESSEE: AIR 88, INC.

Date: 5/7/99

By: _____
Giorgio Cagliero, President

SUBLESSEE:

Date: 5-10-99

By: _____
Michael Borden

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 5-12-99

By: _____
Deputy City Attorney

File: AIR88hgr24

Air 88, Inc. d.b.a. Crownair

3753 John J. Montgomery Drive, San Diego, CA 92123
Phone (619) 277-1453 - Fax (619) 277-7591

Sublease

Air 88, Inc., d.b.a. Crownair, a California corporation, herein called "Sublessor", hereby subleases to Michael Borden., herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #24

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #6) on the Premises from Kim Lilly Construction. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease.

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

   (a) This Sublease shall commence on May 15th, 1999 and shall end on May 31, 2016, unless sooner terminated as provided herein. In the event that the Master Lease is extended, Sublessor will, subject to approval by the City, offer an extension to this Sublease for the same number of years that the Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease. In the event of attornment, the rent may be increased to market rate.

   (b) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City.

   Further, upon such a conveyance, Sublessee shall be bound to City under all the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if the City were the landlord under the Sublease.

   As part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the

interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement.

The respective rights and obligations of Sublessee upon attornment shall for the balance of the term of the Sublease, be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

3. Ground Rent. Sublessee agrees to pay 490.00 (Four Hundred Dollars) per month. Ground rent will begin and will be payable on the first (1st) day of the month, for the full term of the lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year, and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following two year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained in the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non-hazardous waste associated with an aviation business, however, in the event of lease termination and attornment, the City shall not be required to provide a dumpsite. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to improvements other than steel aircraft hangars and offices on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or any other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy, which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage, Subject to City approval, additional uses of the Premises may be allowed. Aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain to standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notices from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly o indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance. Sublessee shall be insured by an insurance carrier acceptable to Sublessor and City against loss from public liability arising from the use, condition or operations conducted on the leased:

(a) Minimum coverage shall be $1,000,000.00 combined single limit liability. A Certificate of Insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance company.

(b) Fire and Extended Coverage insurance, insuring all insurable permanent structure on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. The City is to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease,

16. Default. The occurrence of any of the following shall constitute default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.
(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.
(e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands that the hangar and trade-fixtures will become the property of the City at the expiration of the Master Lease and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (See Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bona fide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bona fide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar and improvements to such third party in accordance with the terms and conditions of the third party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at. 3753 John J. Montgomery Drive, San Diego, CA 92123 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. Binding Arbitration of Disputes. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____
Giorgio Cagliero Michael Borden

22. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possessions or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assigning and subleasing. Sublessee shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

24. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 21st day of April, 1999.

LESSOR:
AIR 88, INC
a California corporation

by: _____
Georgio Cagliero, President

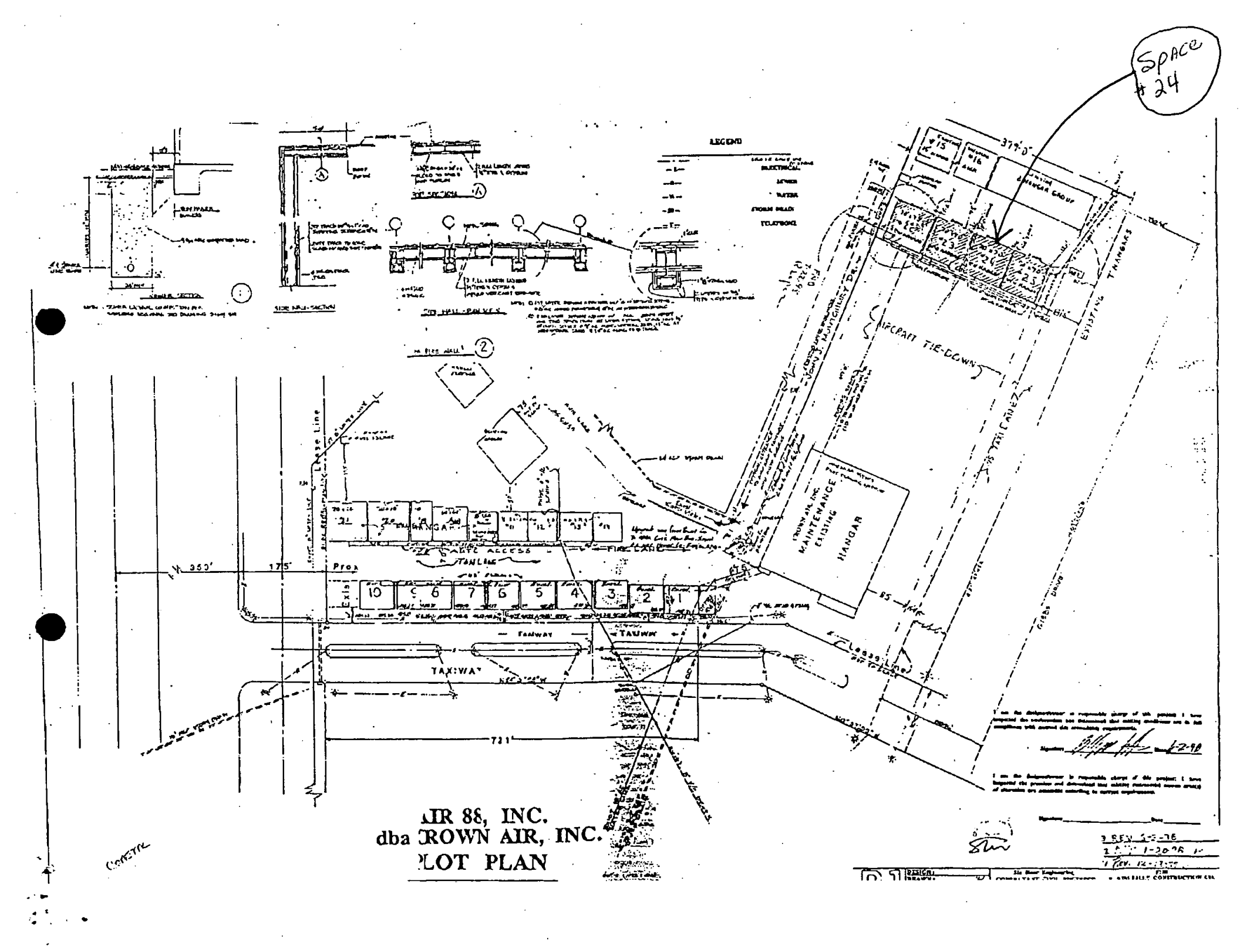
SUBLESSEE:

_____
Michael C. Borden - Signature

3753 John J. Montgomery Drive
Address

San Diego, Calfiornia 92123
City State Zip

(619) 576-5000
Area Code Telephone Number



AIR 88, INC.
dba CROWN AIR, INC.
PLOT PLAN

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on February 28, 2000 between the above LESSEE (SUBLESSOR) and NAORA INC. (SUBLESSEE) for Hangar Space #25.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving NAORA INC., as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5.

DOCUMENT NO 00-18298-32(M)
FILED MAR 30 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

WRITTEN CONSENT ACTION
BOARD OF DIRECTORS
NORTH AMERICAN OFFROAD ADVENTURES, INC.

The undersigned, constituting all the members of the board of directors of NORTH AMERICAN OFFROAD ADVENTURES, INC., a California corporation, take the following action by written consent without a meeting pursuant to the authority granted to the directors by the bylaws of this corporation.

WHEREAS, the board of directors has determined that it is in the best interests of the corporation and its shareholder to enter into a Sublease Agreement with Air 88, Inc., a California corporation, dba Crownair Aviation ("Crownair"), covering the sublease of Hangar Space #25 at Montgomery Field Airport;

RESOLVED, that the actions of the officers of this corporation in negotiating the terms of the Sublease Agreement with Crownair are hereby ratified and approved as the actions of this corporation.

RESOLVED, FURTHER, that Michael W. Dunaway, as an officer of this corporation, is hereby authorized and directed to execute that certain Sublease Agreement with Crownair covering Hangar Space #25 at Montgomery Field Airport in such form as Michael W. Dunaway deems to be in the best interests of this corporation, and to do any and all acts, and execute such further documents and instruments, including, but not limited to, a Consent to Sublease Agreement, which may be necessary and proper to carry out the purpose of the Sublease Agreement and these resolutions.

Dated: 2/24/2000

Trudy V. Dunaway

Trudy V. Dunaway, Director

Michael W. Dunaway, Director

214450.1

CERTIFICATE OF SECRETARY

1. I, Trudy V. Dunaway, certify that I am the secretary of NORTH AMERICAN OFFROAD ADVENTURES, INC., a California corporation.

2. The following is a true and correct copy of certain resolutions of the board of directors of this corporation duly adopted by unanimous written consent of the board of directors:

> RESOLVED, that the actions of the officers of this corporation in negotiating the terms of the Sublease Agreement with Crownair are hereby ratified and approved as the actions of this corporation.
>
> RESOLVED, FURTHER, that Michael W. Dunaway, as an officer of this corporation, is hereby authorized and directed to execute that certain Sublease Agreement with Crownair covering Hangar Space #25 at Montgomery Field Airport in such form as Michael W. Dunaway deems to be in the best interests of this corporation, and to do any and all acts, and execute such further documents and instruments, including, but not limited to, a Consent to Sublease Agreement, which may be necessary and proper to carry out the purpose of the Sublease Agreement and this resolution.

3. The above resolutions are in full force and effect and have not been modified or rescinded in any respect.

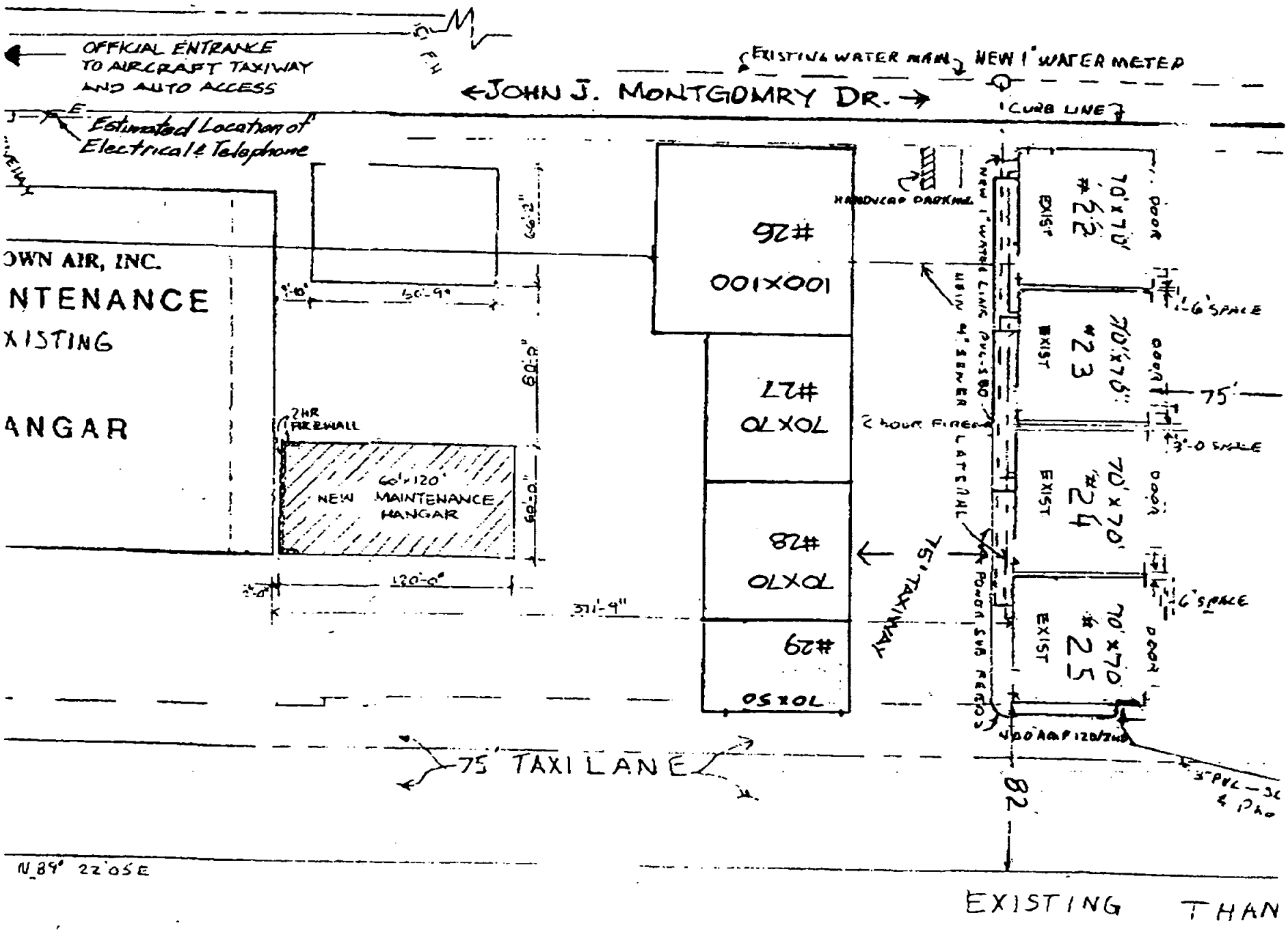
I declare under penalty of perjury that the matters set forth in the foregoing Certificate are true and correct of my own knowledge.

Executed at San Diego, California on March 7, 2000.

Dated: 2/28/2000

Trudy V. Dunaway

Trudy V. Dunaway, Secretary



JAN-11-00 TUE 15:06 P.02

INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. **Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.**

b. **Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.**

c. **The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.**

5. **CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.**

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/27/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2/28/00

By: _____
NAORA INC.
Mike Dunaway AKA NORTH AMERICAN OFFROAD ADVENTURES

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/7/00

By: _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **NAORA INC.** , herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #25 also known as Hangar #25.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #25) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

3753 John J. Montgomery Drive • San Diego, California 92123
(858) 277-1453 • (888) CROWNAIR • FAX (858) 277-1937
www.crownairaviation.com

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 490.00 (four hundred ninety dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit # 25 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #__25__ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar #25 _____ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #__25__ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 955 S Andresen Drive, Escondido, CA 92029-1934 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 28th day of February, 2000

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

NAORA INC.
Name (Print)

955 S. Andresen Drive
Address

Escondido, CA 92029-1934
City *State* *Zip*

1-800-836-4848
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #__25__, San Diego, CA 92123.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on September 14, 1999 between the above LESSEE (SUBLESSOR) and Ron Vinci (SUBLESSEE) for Hangar Space #26.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Ron Vinci, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for aircraft sales and no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may perform maintenance or repair on any aircraft owned and operated or held for resale. The SUBLESSEE must ensure the hangar is built for and approved for aircraft maintenance use by the City. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY. SUBLESSEE shall obtain all necessary licenses and permits required to sell aircraft on the premise.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

00-08298-30

DOCUMENT NO.

FILED MAR 22 2000

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and Ron Vinci
Hangar Space #26

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/20/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2/7/00

By: _____
Ron Vinci

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 2/7/00

By: _____
Deputy City Attorney

File:Air88RonVinci26

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Mr. Ron Vinci** , herein called "Sublessee", the land for a hangar measuring one hundred feet by one hundred feet (100' x 100'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #26 also known as Hangar #26.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #26) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining:

- the rights to the Premises under this sublease and
- the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 1,000.00 per monthly period, payable, in advance, on _____ for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #26 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft sales and storage, Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee may perform maintenance or repair on any aircraft owned and operated, previously sold or held for resale. Sublessee shall not become a competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the

structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this

Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee

commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 26 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 26 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 26 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return-receipt requested. Notices and demands shall be addressed to Sublessee at 3395 S. Jones Blvd Suite 220 Las Vegas NV 89146 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the

provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease

is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 14 day of September, 1999

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

Name (Print)

3395 S. Jones Blvd.
Address

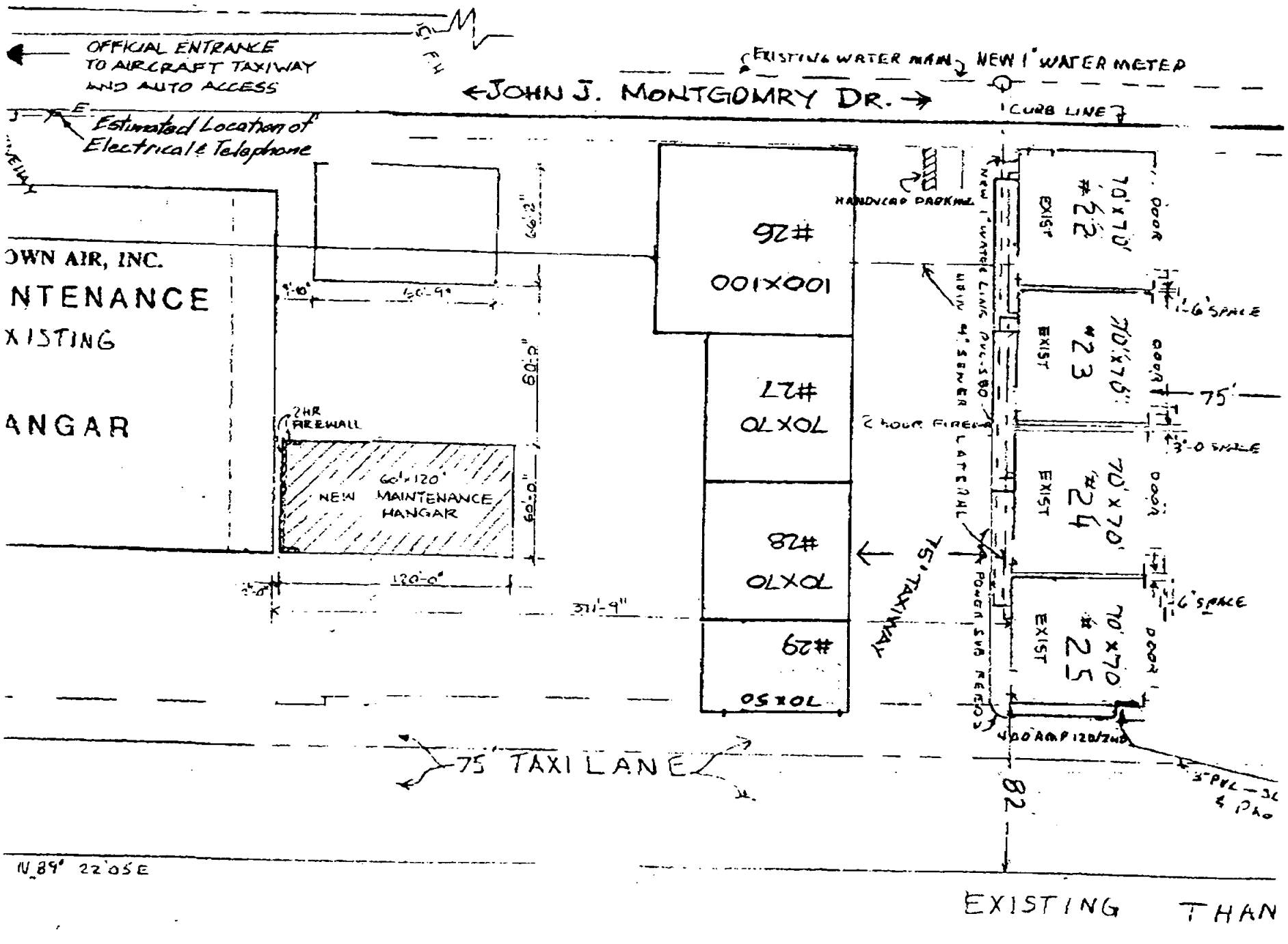
Las Vegas NV 89146
City State Zip

702 876 3323
area code phone number

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_26_, San Diego, CA 92123.



JAN-11-00 TUE 15:06 P.02

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc. dba Crownair Aviation, a California Corporation, (LESSEE) which is filed with the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on September 14, 1999 between the above LESSEE (SUBLESSOR) and George Hubbard (SUBLESSEE) for Hangar Space #27.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2. Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving George Hubbard, as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to City's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. Below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to City at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

DOCUMENT NO. 00-18298-76
FILED MAR 09 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

   a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

   b. Fire, Extended Coverage and Vandalism Insurance coverage for 100% replacement cost on all insurable property on the premise.

   c. The City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the City's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (C) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY'S current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY'S current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE'S tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and George Hubbard
Hangar Space #27

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3/6/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 2-1-00

By: _____
George Hubbard

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 2/9/00

By: _____
Deputy City Attorney

File:hubbard27

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Mr. George Hubbard** , herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #27 also known as Hangar #27.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #27) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining:

- the rights to the Premises under this sublease and
- the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 490.00 (four hundred ninety dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #_27_ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 27 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 27 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 27 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at 393 Enterprise Street, San Marcos, CA 92069. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 14 day of September, 1995

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

George R Hubbard
Signture

GEORGE R. HUBBARD
Name (Print)

393 ENTERPRISE ST.
Address

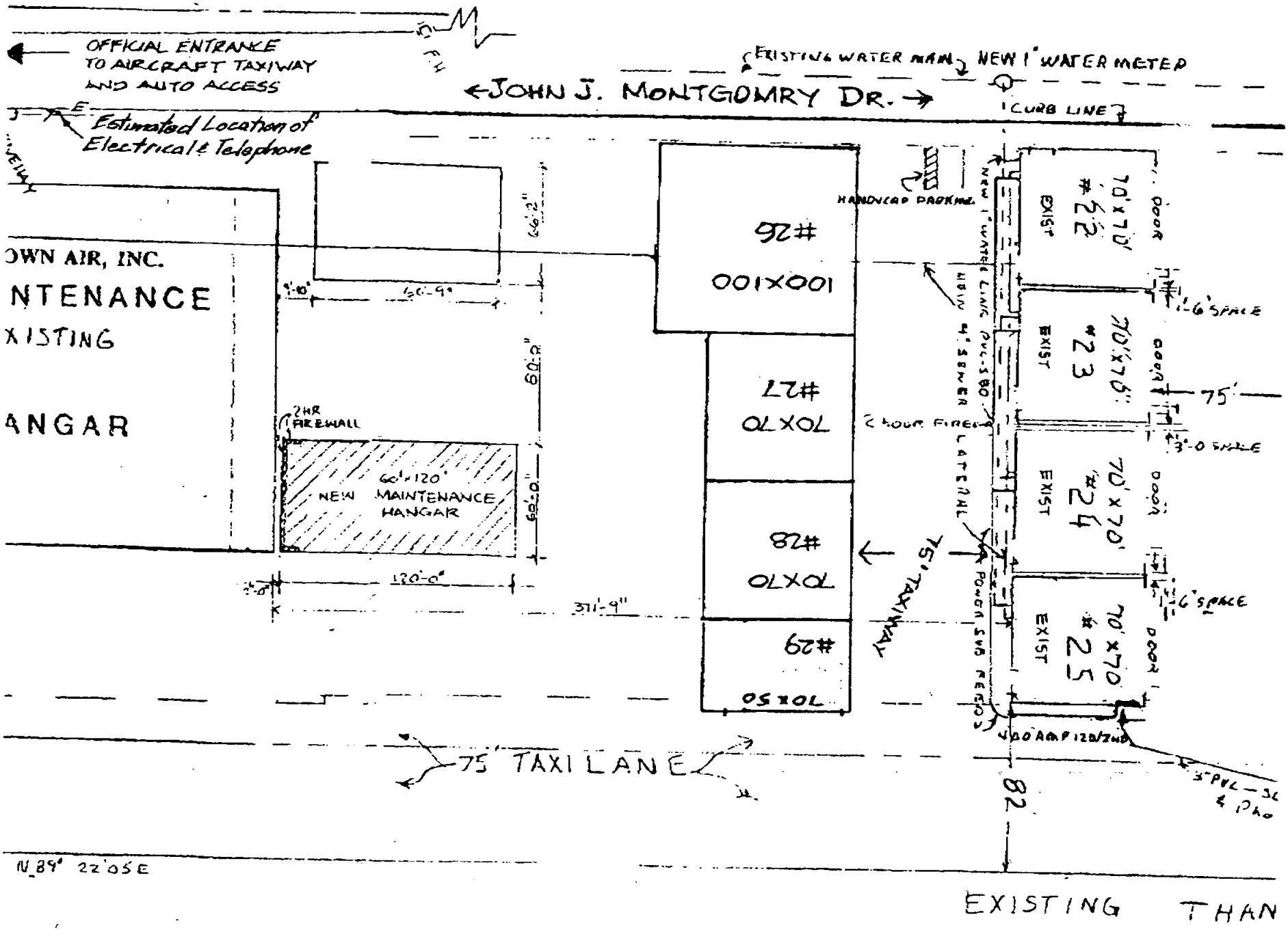
SAN MARCOS CA 92069
City *State* *Zip*

(760) 744-6944
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_27_, San Diego, CA 92123.



JAN-11-00 TUE 15:06 P.02

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on September 14, 1999 between the above LESSEE (SUBLESSOR) and Progress Air, Inc. (SUBLESSEE) for Hangar Space #28.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Progress Air, Inc. as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed-wing aircraft and for no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE

DOCUMENT NO. 00-18298-25
FILED MAR 06 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and Progress Air, Inc.
Hangar Space #28

APPROVALS:

THE CITY OF SAN DIEGO

Date: 2/18/2000

By: _____
Acting Supervising Property Agent

SUBLESSEE:

Date: 2-18-2000

By: _____
Progress Air, Inc. PRESIDENT

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 2/1/00

By: _____
Deputy City Attorney

File:ProgressAir28

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Progress Air, Inc.** , herein called "Sublessee", the land for a hangar measuring seventy feet by seventy feet (70' x 70'), the construction of which was done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #28 also known as Hangar #28.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #28) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining:

- the rights to the Premises under this sublease and
- the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.

(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 490.00 (four hundred ninety dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #_28_ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

16. Default. The occurrence of any of the following shall constitute a default by Sublessee:

(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

(c) Failure to undertake maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar #_28_ and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 28_ and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar #_28_ and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at _949 Cornish Drive, San Diego, CA 92107-4229_. Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: CC _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 14 day of September, 19 95

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Signture

MARILYN THOMPSON
PROGRESSAIR, INC.
Name (Print)

949 CORNISH DRIVE
Address

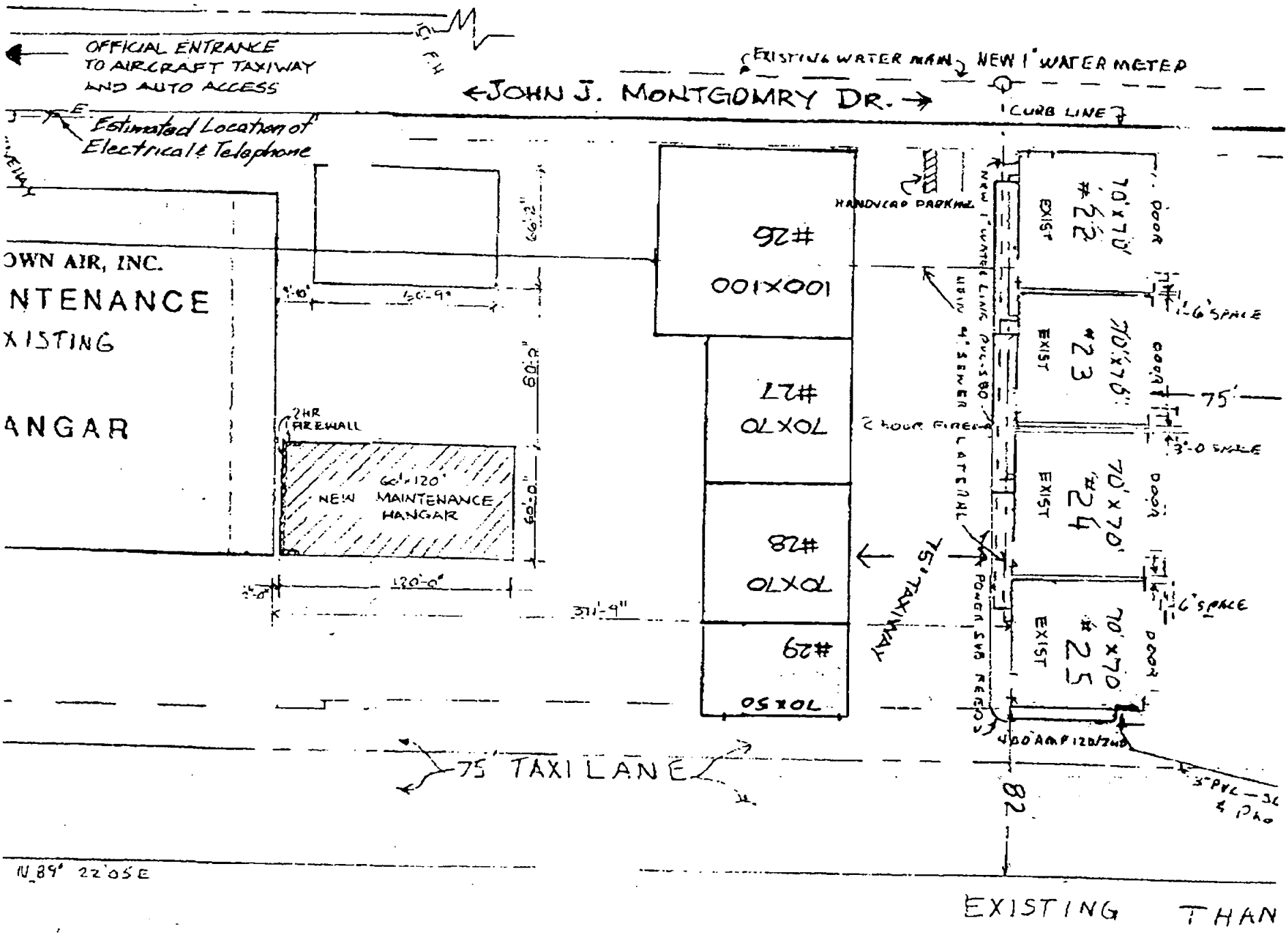
SAN DIEGO, CA 92107-4229
City *State* *Zip*

619/692-9887
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_28_, San Diego, CA 92123.



JAN-11-00 TUE 15:06 P.02

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with Air 88, Inc., dba Crownair Aviation, a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 00-18298, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on February 17, 2000 between the above LESSEE (SUBLESSOR) and Don and Alice Fehrenbach (SUBLESSEE) for Hangar Space #29.

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing, and the uses stated in 2.Use, below. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions:

1. SUBLESSEE: CITY is approving Don and Alice Fehrenbach as SUBLESSEE.

2. USE: SUBLESSEE is authorized to use the hangar on the sublet premise for storing its fixed-wing aircraft and no other purpose whatsoever, without prior written authorization from CITY. The SUBLESSEE may not operate any business at this location without the prior additional written approval from CITY.

3. OWNERSHIP OF IMPROVEMENTS ON PREMISES: Ownership of all improvements constructed on the premises now existing, or subsequently constructed during the term of the sublease, must be quit-claimed to the CITY, on a future date, at CITY'S option, as further described in Section 6.10 OWNERSHIP OF IMPROVEMENTS AND PERSONAL PROPERTY of the Master Lease. If CITY elects to take ownership of the improvements, SUBLESSEE shall transfer ownership of the improvements to CITY, free and clear of any encumbrances, at no cost to CITY. SUBLESSEE shall not: (a) transfer ownership of the improvements on the premises; (b) sublet the improvements; (c) relocate the improvements and/or make major alterations to the improvements without prior written authorization from the CITY in each instance, due to CITY's potential ownership of the improvements.

   If SUBLESSEE attorns to CITY and a new lease agreement is executed between SUBLESSEE and CITY, as described in paragraph 5. below, SUBLESSEE shall, at CITY'S sole option, transfer its ownership of any or all of its OWNERSHIP OF IMPROVEMENTS on the Premise to CITY at the end of the lease term that was remaining on the Master Lease on the date SUBLESSEE attorned to CITY, free and clear of any liens and at no expense to CITY.

4. INSURANCE: SUBLESSEE shall indemnify the CITY and provide insurance coverages in the amounts listed below, in accordance with the terms and conditions of Section 5. INSURANCE

DOCUMENT. NO. 00-18298 -34

FILED APR 14 2000

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

RISKS/SECURITY of the Master Lease. All policies shall name the City as an additional insured.

a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), with a minimum of $100,000 per passenger, covering the subleased premise and all aircraft stored on the premise. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premise or operation of aircraft stored on the premise.

b. Fire, Extended Coverage and Vandalism insurance coverage for 100% replacement cost on all insurable property on the premise.

c. The CITY may require SUBLESSEE to periodically increase the required amounts of insurance coverages and the types of coverages, to reasonably protect the CITY's interests and to reflect any changes in SUBLESSEE'S approved uses.

5. CONDITIONS FOR ACCEPTING ATTORNMENT (SECTION 2 (b) TERM OF SUBLEASE): If the Master Lease is terminated early, and SUBLESSEE is in compliance with its SUBLEASE at the time of the Lease termination, the CITY agrees to temporarily act in the place of the Master Lessee, allowing SUBLESSEE to continue its subtenancy. The terms and conditions of the Master Lease and Sublease will be binding on both parties while CITY and SUBLESSEE diligently draft, execute and process a new lease agreement for the term remaining on the Master Lease at the time it was terminated. The new lease agreement will include the CITY's current standard lease language, including a provision allowing the CITY to immediately increase the rent to market rent, based on a current City fee appraisal, with rent adjustments annually, thereafter, by increases in the Consumer Price Index, then used by CITY, and the rent shall be further adjusted every ten years by fee appraisal, according to the CITY's current methods of calculating such adjustments.

SUBLESSEE must sign and submit the new lease, with the required proof of insurance coverage and any deposits, to CITY within 60 days of CITY submitting the new Lease to SUBLESSEE for its signature, or CITY may terminate Consent to Sublease Agreement SUBLESSEE's tenancy with 30-days prior written notice.

Consent to Sublease Agreement
Air 88, Inc. and Don and Alice Fehrenbach
Hangar Space #29

APPROVALS:

THE CITY OF SAN DIEGO

Date: 4/10/00

By: _____
Supervising Property Agent

SUBLESSEE:

Date: 4-3-00

By: Don Fehrenbach
Don Fehrenbach

Date: 4-3-00

By: Alice Fehrenbach
Alice Fehrenbach

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/6/00

By: _____
Deputy City Attorney

File:Fehrenbach29

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Don and Alice Fehrenbach** , herein called "Sublessee", the land for a hangar measuring fifty feet by seventy feet (50' x 70'), the construction of which shall be done only as approved, permitted and certified by the City of San Diego, on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lots 5A and 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 9.01 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B, shown as Space #29 also known as Hangar #29.

RECITALS

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased or has contracted to purchase an aircraft hangar (Hangar #29) on the Premises from B.Kim Lilly Construction Company. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the written consent of the City to this sublease (as evidenced by a "Consent To Sublease Agreement)

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
(a) This Sublease shall commence on Date of **Transfer of Ownership** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same number of years that the

Master Lease is extended. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease will, subject to approval by the City, be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended Master Lease.

(b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

(c) If the Master Lease is terminated for any reason, all Sublesssor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred, and conveyed to City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease. Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay $ 350.00 (THREE HUNDRED FIFTY dollars) per monthly period, payable, in advance, on the first of each month for the full term of this lease. Ground rent is payable at the office of Sublessor at Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of each year and at the end of every year thereafter ("the adjustment date") as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Anaheim-Riverside Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following one (1) year period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate Master Lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

5. Utilities and Taxes as Additional Rent. In additional to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during the term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide for a dump site for non hazardous waste associated with an aviation business; however, in the event of lease termination and attornment, the City shall not be required to provide a dump site. Any utilities to be paid by Sublessee shall have a predetermined and agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay, before they become delinquent, all taxes, assessments, or other charges levied or imposed by

any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All real property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessor, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Unit #_29_ on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees and operating permit fees imposed by the City.

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date on which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum rate of current Wall Street prime plus two percent until it is paid by Sublessee to Sublessor.

8. Use of the Premises. It is expressly agreed that the premises are leased to Sublessee solely and exclusively for the purposes of aircraft storage. Subject to City approval, additional uses of the Premises may be allowed: aircraft charter and for such other related or incidental purposes as may be first approved in writing by the City Manager and for no other purpose whatsoever. Sublessee shall not perform maintenance or repair on any aircraft not owned, operated, previously sold, or held for resale so as to be a direct competitor of Sublessor without prior written approval from Sublessor.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same Master leasehold. Any changes in exterior colors shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days of written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days verbal notice, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists, no notice to enter premises will be required.

10. Rules and Regulations. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

11. Hold Harmless: Sublessee shall assume the defense of, indemnify and save harmless Lessee and City from all claims, expenses and liability of every nature, directly or indirectly, arising from, or alleged to have arisen from, the operations conducted on the leased premises or from any act or omission of Sublessee, his agents and invitees.

12. Insurance: Sublessee shall be insured by an insurance carrier acceptable to the Lessee and City against loss from public liability arising from the use or condition of or operation conducted on the leased premises.

(a) Minimum coverage shall be $1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with City and shall name "THE CITY OF SAN DIEGO" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without 30 days prior written notice to City by the insurance Company.

(b) Fire and Extended Coverage insurance insuring all insurable structures on the premises. Such insurance shall insure the full insurable value of such property and improvements and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

Evidence of such insurance shall be provided by Sublessee by filing with Sublessor a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor not less than thirty (30) days prior to the effective date of such cancellation or change. City to be named "Additional Insured" in the insurance policies described in Sections 12(a) and 12(b) above.

13. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

14. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Lessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

15. Obligations of Sublessor. Sublessor agrees to maintain the Master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

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(a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

(b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

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(d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

(e) Failure by Sublessee to perform any other material provision of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been give to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

17. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed, gender, sexual orientation, or national origin in the use of the Premises.

18. Right of First Refusal to Purchase Improvements. Sublessee understands and agrees that the hangar # 29 and trade-fixtures will become the property of the City at expiration of the Master Lease and that the hangar # 29 and fixtures may not in any case be removed from the Premises during the term of the Master Lease (See master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, Sublessor shall have the right of first refusal to meet any bonafide offers of sale on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said hangar # 29 and improvements to such third party in accordance with the terms and conditions of the third Party's offer.

19. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

20. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be given in writing and delivered in person or via Certified Mail, return receipt requested. Notices and demands shall be addressed to Sublessee at PO BOX 400 CHANDLER AZ 85244 Notices and demands shall be addressed to Sublessor c/o Crownair, 3753 John J. Montgomery Drive, San Diego, CA 92123. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by Certified Mail.

21. BINDING ARBITRATION OF DISPUTES. Any disagreement between the parties with respect to the interpretation or application of this lease

or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the City of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY. WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE 'BINDING ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION. THIS PROVISION SHALL NOT APPLY TO THE CITY IN THE EVENT OF TERMINATION AND ATTORNMENT.

Initials: _____ _____

22. Legal Proceedings: Should it become necessary for Lessee or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

23. Assignment and Subleasing: Sublessee shall not assign this lease or sublet the premises or any part thereof without the prior written consent of Lessee and The City of San Diego, hereinafter, "City". An assignment by operation of law shall automatically terminate this lease. The consent of Sublessor to any assignment of Sublessee's interest in this sublease or the subleting by Sublessee of the Premises or parts of the Premises shall not be unreasonably withheld.

24. Subordination: This agreement is in effect a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the sublessor herein and The City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

25. Binding on Heirs and Successors. The convenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

26. Time of Essence. Time is expressly declared to be of the essence of this sublease.

27. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the 17 day of Feb ~~,~~ 2000

SUBLESSOR:

AIR 88, INC.
a California corporation

by:

GIORGIO CAGLIERO, President

SUBLESSEE:

Don Fehrenbach
Signture

DON FEHRENBACH
Name (Print)

P.O. Box 400
Address

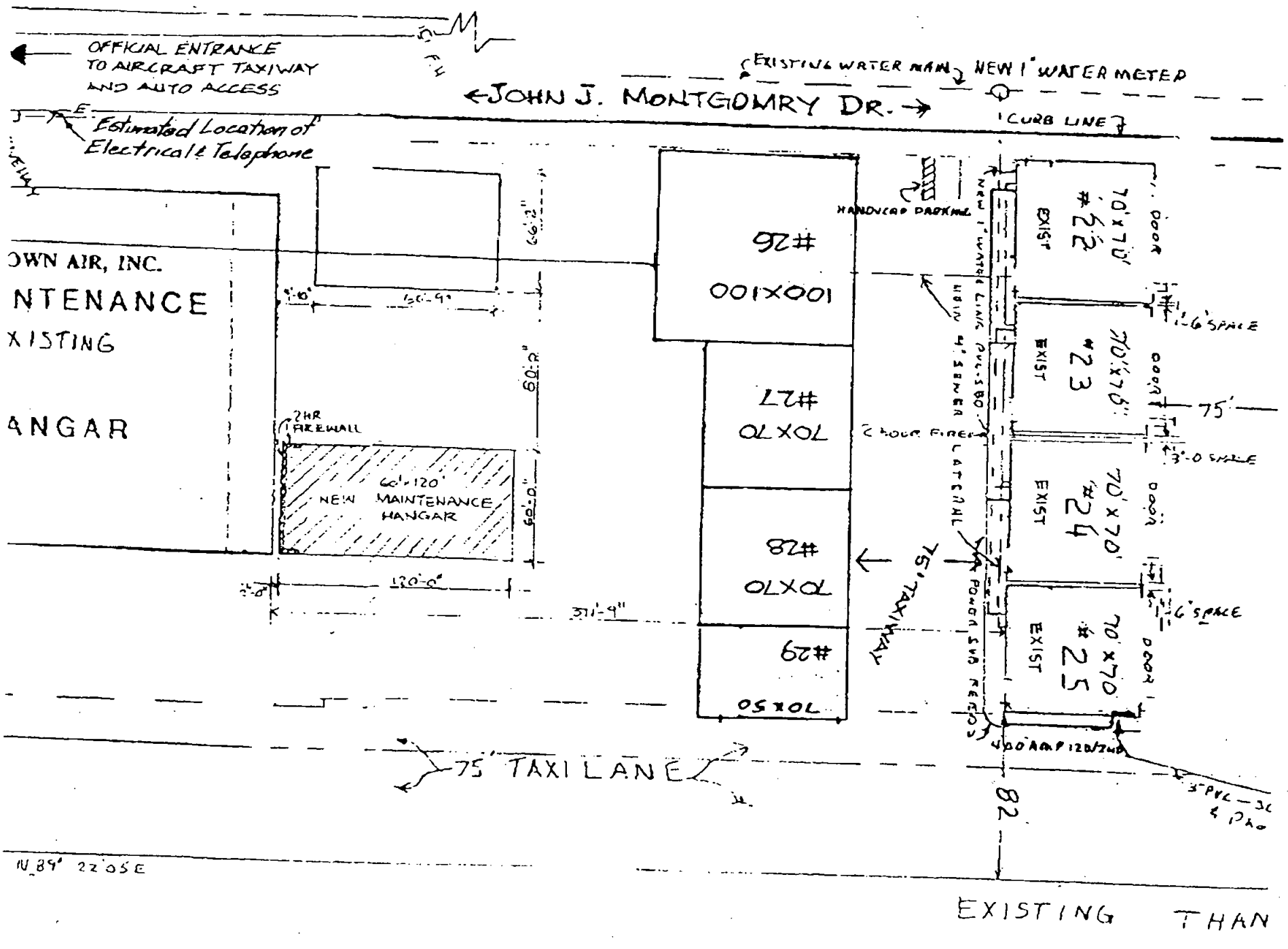
CHANDLER AZ 85244
City *State* *Zip*

480- 814- 1200
area code *phone number*

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "B") with the legal address of 3753 John J. Montgomery Drive, Unit #_29_, San Diego, CA 92123.



11-08 TUE 15:06
P.02

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Crownair Holdings, Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Hangar Lease Agreement dated May 1, 2008 between General Atomics Aeronautical Systems, Inc. (also referred to as SUBLESSEE) and

Linden S. Blue (also referred to as TENANT)

for a portion of SUBLESSEE s leased premises, specifically one-half of the square footage of Hangar No. 35 and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The TENANT shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the TENANT. The CITY is not bound by any term or condition in the Hangar Lease Agreement which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the TENANT and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure TENANT does not assign the Hangar Lease Agreement or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE. Pursuant to City Charter Section 225, incorporated herein, the City Manager must review and approve every person or entity which will have any direct or indirect interest in this Hangar Lease Agreement as a sublessee or assignee, which approval may not be unreasonably withheld.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY, its elected officials, officers, representatives, agents and employees from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of TENANT, its agents or invitees; provided, however, LESSEE and TENANT'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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its TENANT be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be two million dollars ($2,000,000) Combined Single Limit Liability. LESSEE shall require TENANT to file with CITY a copy of the policy of insurance which shall name "The City, its elected officials, officers, representatives, agents and employees" as an additional insured on a separate endorsement prior

to TENANT'S occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

7. SAN DIEGO'S STRONG MAYOR FORM OF GOVERNANCE: All references to "CITY Manager" in this Consent to Sublease shall be deemed to refer to "Mayor or his/her designee." This section shall remain in effect for the duration CITY operates under the mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the San Diego City Charter.

8. AUTHORITY: Each individual executing this Consent to Sublease on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Consent to Sublease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Consent to Sublease is binding upon such person or entity in accordance with its terms. Each person executing this Consent to Sublease on behalf of another person or legal entity shall provide CITY with evidence, satisfactory to CITY, that such authority is valid, and such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

THE CITY OF SAN DIEGO

Dated 18 August 2008

By _____
Michael C. Tussey
Deputy Director, Airports Division

LESSEE

Dated 8/14/08

By _____
Kevin O'Donnell
President, Crownair Holdings, Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 8/19/08

By _____
John Serrano, Deputy City Attorney

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Air 88 Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Sublease Agreement dated March 1, 2004 between LESSEE (also referred to as SUBLESSOR) and

Bariloche Adventura, Ltd. (SUBLESSEE)

for a portion of LESSEEs leased premises, specifically Hangar 36, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The SUBLEASE shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the SUBLEASE. The CITY is not bound by any term or condition in the SUBLEASE which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the SUBLESSEE and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure SUBLESSEE does not assign the SUBLEASE or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of SUBLESSEE, its agents or invitees; provided, however, LESSEE and 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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its SUBLESSEE be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be one million dollars ($1,000,000) Combined Single Limit Liability. LESSEE shall require SUBLESSEE to file with CITY a copy of the policy of insurance which shall name "THE CITY OF SAN DIEGO" as an

additional insured prior to SUBLESSEE's occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

THE CITY OF SAN DIEGO

Dated 2-17-05

By _____
Jack D. Farris
Deputy Director, Real Estate Assets

LESSEE

Dated _____

By _____
Kevin O'Donnell
Chief Executive Officer, Air 88 Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 2/17/05

By _____
Deputy City Attorney

crownair
AVIATION

Sublease

Air 88, Inc., d.b.a. Crownair Aviation, a California corporation, herein called "Sublessor", hereby subleases to **Bariloche Adventura, Ltd. (an Oregon Corporation),** herein called "Sublessee", the land for a hangar measuring seventy feet by eighty feet (70' x 80'), the construction of which was done only as approved, permitted and certified by the City of San Diego, herein called "City", on land herein called "the Premises", located on all of that certain property situated in the City of San Diego, County of San Diego, State of California, described as Lease Lot 9, Montgomery Field Airport, delineated on Exhibit "A" as described in Subsection 10.1 of City of San Diego Flat Lease. The Premises are shown on the plot map attached hereto as Exhibit B. This Sublease relates specifically to the area shown as **Hangar # 36**.

Recitals

A. Sublessor is the lessee under that certain lease dated May 6, 1996 (the "Master Lease") by and between Sublessor and the City of San Diego (the "City"), a copy of which is attached hereto as Exhibit C.

B. Sublessee has purchased an aircraft hangar (Hangar # 36) on the Premises. Such purchase is contingent on Sublessee obtaining the rights to the Premises under this sublease and the consent of the City to this sublease (as evidenced by a "Consent to Sublease Agreement").

NOW, THEREFORE, the parties agree as follows:

1. Leasing and Description of Property. Subject to the terms and conditions set forth herein, Sublessor hereby subleases the Premises to Sublessee, and Sublessee hereby subleases the premises from Sublessor.

2. Term.
   (a) This Sublease shall commence on the date of **Transfer of Title** and shall end on **May 31, 2016** unless sooner terminated as provided herein. In the event the Master lease is extended, Sublessor will, subject to approval by the City, offer an extension to this sublease for the same duration of any subsequent master lease executed between Sublessor and the City. Such offer, if approved by the City, shall be made prior to termination of the Master Lease. The terms of the extension or new sublease, subject to approval by the City, will be proportional to the rent in this sublease and to the percentage (%) increase to the new or extended master lease.

   (b) So long as Sublessee is not in default in the performance of any of the terms, covenants, or conditions of the Sublease, City will not join Sublessee as a party defendant in any action or proceeding for the purpose of terminating Sublessee's interest and estate under the Sublease because of any default by Lessee/Sublessor under the Master Lease.

   (c) If the Master Lease is terminated for any reason, all Sublessor's interests as Sublessor under the Sublease shall be deemed automatically assigned, transferred and conveyed to the City. City shall thereafter be bound on the Sublease to the same extent Lessee/Sublessor was bound on the Sublease, and shall have all the rights under the Sublease that Sublessor had under the Sublease.

3753 John J. Montgomery Drive • San Diego, California 92123
(858) 277-1453 • (888) CROWNAIR • FAX (858) 277-1937
www.crownairaviation.com

Further, upon such a termination, Sublessee shall be bound to City under all of the conditions of the Sublease for the balance of the term of the Sublease with the same force and effect as if City were the landlord under the Sublease. In no event shall the City be required to approve an extension of the Sublease beyond May 31, 2016. As a part of this process, Sublessee shall attorn to City as Sublessee's landlord. The attornment will become effective immediately when City succeeds to the interest of Sublessor under the Sublease, and shall not require the execution of any additional instruments by the parties to this agreement. The respective rights and obligations of Sublessee and City upon attornment shall for the balance of the term of the Sublease be the same as they are currently set forth in the Sublease, with the exception of the potential extension provision.

Subject to specific exceptions herein, if the Ground Lease is terminated for any reason and City succeeds to the interest of Sublessor under the Sublease, City shall be bound to the Sublessee under the terms of the Sublease, and Sublessee shall, from and after that event, have the same remedies against City for the breach of any agreement contained in the Sublease that Sublessee might have had under the Sublease against the Sublessor.

3. Ground Rent. Sublessee agrees to pay a flat rate of **Eight Hundred and Forty Dollars ($840) per month.** Ground rent will begin and be payable on the first (1st) day of the month for the full term of the lease. Ground rent is payable at the office of Sublessor at **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**, or at such other place or places as Sublessor may from time to time designate by written notice delivered to Sublessee.

4. Ground Rent Adjustment. The ground rent provided for in Section 3 above shall be subject to adjustment at the end of the first year and at the end of every year thereafter (the "adjustment date") based on increases in the Consumer Price Index as follows:

The Base for computing the adjustment is The Consumer Price Index for All Items for All Urban Consumers in the Los Angeles-Riverside-Orange County Metropolitan Area, published by the United States Department of Labor, Bureau of Labor Statistics ("Index"), which is last published prior to the date of the commencement of the term ("Beginning Index"). If the Index published nearest (and prior to) the adjustment date ("Extension Index") has increased over the Beginning Index, the ground rent for the following annual period (until the next rent adjustment) shall be set by multiplying the minimum rent set forth in Section 3 (post flat-rate master lease) above by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index.

If the Index is changed so that the base year differs from that used immediately preceding the month in which the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

In addition to the CPI increases mentioned above the rent is subject to fair market value increases mirroring any such adjustment applied by the City to the Master Lease.

5. Utilities and Taxes as Additional Rent. In addition to the ground rent specified in Sections 3 and 4 above, Sublessee agrees to pay the following costs and expenses as additional rent for the use and occupancy of the premises:

(a) Utilities: Sublessee shall pay, and hold Sublessor and the property of Sublessor free and harmless from, all charges for the furnishing of gas, water, electricity, telephone service and other public utilities to said premises during term of this sublease or any extension thereof and for the removal of garbage and rubbish from said premises during the term of this sublease or any extensions thereof. Sublessor shall provide a trash bin for the disposal of a limited quantity of non hazardous waste; however, in the event of lease termination and attornment, the City shall not be required to provide a trash bin. In any event, the removal of excessive (as determined by Sublessor) and/or hazardous waste from Hangar # 36 shall be the responsibility of Sublessee. Any utilities to be paid by sublessee shall have an agreed upon method of computing such charges, unless there is a meter or service directed and serving only said premises.

(b) Personal Property Taxes: Sublessee shall pay before they become delinquent all taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by Sublessee in, on, or about said premises.

(c) Real Property Taxes: All Real Property taxes and assessments, including possessory interest taxes, levied or assessed against said premises by any governmental entity, including any special assessments imposed on or against said premises for the construction or improvement of public works in, on, or about said premises, shall be paid, before they become delinquent, by Sublessee. Should the governmental entity bill Sublessor then Sublessor will pay the bill on behalf of the Sublessee, except in the event of termination and attornment; provided, however, Sublessee shall reimburse Sublessor for all such real property taxes and assessments attributable to Hangar # 36 on the premises. Sublessor shall invoice Sublessee for said taxes, which invoice shall include a copy of said taxes and a receipt showing payment thereof and Sublessee shall reimburse Sublessor within 15 days of such invoice.

(d) Any landing fees, filing fees or other fees imposed by the City

6. Late Charges. If any installment of rent or other payment required to be paid by Sublessee to Sublessor is not paid within ten (10) days of the date of which it is due, a late charge equal to Twenty Five Dollars ($25.00) shall be due from Sublessee to Sublessor to compensate Sublessor for the additional administrative work caused by such default and to compensate Sublessor for the loss of use of such defaulted payment. The late charge herein shall be in addition to any other remedy which Sublessor may have hereunder for such default.

7. Interest on Late Payments. If any payment required to be paid by Sublessee to Sublessor is not paid within thirty (30) days of the date on which it is due, such installment of rent or other payment shall bear interest at the maximum legal rate.

8. Use of the premises. It is expressly agreed that the premises are leased to Sublessee, solely and exclusively for the purposes of aircraft storage. Subject to Sublessor and City approval, additional uses of the Premises may be allowed. Sublessee shall not perform maintenance or repair on any aircraft so as to be a competitor of Sublessor without prior written approval from Sublessor. Sublessee understands and agrees that the Taxi-lanes and Taxiways must be kept clear at all times.

9. Maintenance. Sublessee shall, at its sole cost and expense, maintain the Premises and the improvements thereon. All painted surfaces and surfaces requiring treatment of any kind shall be maintained in first class condition and shall be repainted and/or treated as often as required in order to preserve the structure and to maintain the standards set by example of premises of other facilities operated by Sublessor and located on the same master leasehold. Any changes in exterior colors

shall be subject to the prior written approval of Sublessor. Sublessor shall be the sole judge of the quality of maintenance.

Within fifteen (15) days written notice from Sublessor, Sublessee shall perform whatever reasonable maintenance Sublessor deems necessary. If such maintenance is not undertaken by Sublessee within a thirty (30) day period, Sublessor shall have the right, but not the obligation, with three (3) days' verbal notice to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Sublessee. If an unsafe condition exists no notice to enter premises will be required.

10. Construction. Sublessee understands that, on occasion, construction and/or maintenance work will be performed on the Premises. Should normal access routes be affected by said work Sublessee understands and agrees to move and/or stage the aircraft as necessary to enable safe use. Sublessor agrees to attempt to minimize any inconvenience of this nature.

11. Rules and Regulations. Sublessee agrees to observe and obey all reasonable policies, rules and regulations promulgated and enforced by City or any other governmental authority having jurisdiction over Montgomery Field, San Diego, CA during the term of this Sublease.

12. Hold Harmless. Sublessee shall assume the defense of, indemnify, and save harmless Sublessor and City from all claims, expenses and liabilities, of any nature, directly or indirectly, arising from the operations conducted on the leased premises or from any act or omission of Sublessee, his agent and invitees.

13. Insurance. Sublessee shall, at Sublessee's sole cost and expense, procure and maintain during the entire term of this Sublease, the following insurance coverage issued by insurance companies acceptable to Sublessor and City and authorized to conduct insurance business in the State of California:

    a. Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars ($1,000,000), COMBINED SINGLE LIMIT LIABILITY, with a minimum of $100,000 per passenger, covering the subleased premises and all aircraft stored on the premises. This policy shall cover all injury or damage, including death suffered by any party or parties from acts or failure by anyone in connection with the use of the premises or operation of aircraft stored on the premises.

    b. Fire, Extended Coverage and Vandalism insurance, insuring all insurable permanent structures on the premises. Such insurance shall insure the full insurable value of such property and improvements (100% replacement cost) and shall include vandalism and malicious mischief endorsements. Such policy shall contain a loss payable endorsement in favor of the parties as their respective interests may appear.

    c. The Sublessor and/or City may require SUBLESSEE to periodically increase the required amounts of insurance coverage's and the types of coverage's, to reasonably protect the Sublessor's and City's interests and to reflect any changes in SUBLESSEE'S approved uses.

    Evidence of such insurance shall be provided by Sublessee by filing with Sublessor and City a copy of each such policy together with a duly executed certificate to the effect that the insurance policy(s) are consistent with the terms of this Sublease. Such policy(s) shall contain a provision that written notice of cancellation or any material change shall be delivered to Sublessor and City not less than thirty (30) days prior to the effective date of such cancellation or change. Sublessee shall be named as insured and the Sublessor and "THE CITY OF SAN DIEGO" shall be named

as an "additional insured" in the insurance policies described in Sections 12(a) and 12(b) above. Notices shall be addressed to City at: **City of San Diego Airports Division, Real Estate Assets 3750 John J. Montgomery Drive, San Diego, CA 92123 (fax 858-279-0536).**

14. Applicability of Master Lease. This Sublease is subject to and subordinate to the terms and conditions of the Master Lease.

15. Assumption. Sublessee hereby expressly assumes and agrees to perform and comply with all the obligations required to be performed by Sublessee under the provisions of the Master Lease to the extent they are applicable to the subleased premises.

16. Obligations of Sublessor. Sublessor agrees to maintain the master Lease during the entire term of this sublease or extension, subject, however, to any earlier termination of the Master Lease without the fault of Sublessor. Sublessor also agrees to pay all rents provided for in the Master Lease in accordance with its terms, and to comply with or perform all obligations of the Lessee under the Master Lease that Sublessee has not assumed under this sublease.

17. Default. The occurrence of any of the following shall constitute a default by Sublessee:

    (a) Failure to pay rent when due, if such failure continues for three (3) days after notice of default and demand for payment has been given to Sublessee.

    (b) Abandonment and vacation of the Premises. Failure to occupy the Premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.

    (c) Failure to undertake material maintenance obligations which Sublessor deems necessary, if such failure continues for thirty (30) days after written notice of the need for such maintenance has been served to Sublessee.

    (d) The assignment of the Premises for the benefit of Sublessee's creditors without permission of Sublessor.

    (e) Failure by Sublessee to perform any other material provisions of this sublease if such failure is not cured within thirty (30) days after written notice of such failure has been given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) day period, or if Sublessee commences performance of the provision within said thirty (30) day period and diligently pursues performance of the provision, Sublessee shall not be in default.

18. Non-Discrimination. Sublessee shall not discriminate against any person or class of people by reason of race, color, creed or national origin in the use of the Premises.

19. Right of First Refusal to Purchase Improvements. Sublessee understands that **Hangar # 36** and its trade-fixtures will become the **property of the City at the expiration of the Master Lease** and that the hangar and trade-fixtures may not, in any case, be removed from the Premises during the term of the Master Lease (see Master Lease, Section 6.10 "Ownership of Improvements and Personal Property"). Should Sublessee elect to sell the facility and other improvements on the Premises during the term of this sublease, or upon termination or cancellation hereof, **Sublessor shall have the right of first refusal to meet any bonafide offers of sale** on the same terms and conditions of such offer, and on the failure of Sublessor to meet such bonafide offer within fifteen (15) days after receipt of written notice thereof from Sublessee, Sublessee shall be free to sell said Hangar # 36 and improvements to such third party in accordance with the terms and conditions of the third party's offer.

20. Suspension of Term. If, during the term of this Sublease, a state of war or other national emergency is declared and if the governmental entity elects to take over the operation of Montgomery Field or any part thereof for military use, the provisions of this Sublease shall be suspended insofar as such provisions are inconsistent with the utilization of Montgomery Field for military purposes.

21. Notices. Except as otherwise specifically provided in this sublease, all notices and demands required in this lease to be given by Sublessor to Sublessee or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Notices and demands shall be addressed to Sublessee at **Bariloche Adventura, Ltd. (an Oregon Corporation) 4009 SE 11th St. Portland, Oregon 97202**. Notices and demands shall be addressed to Sublessor c/o **Crownair Aviation, 3753 John J. Montgomery Drive, San Diego, CA 92123**. Any notice or demand shall be deemed served at the time of delivery, if delivered in person, or on the business day served at the time of delivery, if delivered in person, or on the business day following deposit thereof in the United States Mail, if sent by certified mail.

22. Binding Arbitration of Disputes. Except with regard to any claim, counterclaim, dispute, and other matter relating to the payment of rent or any other sum owing from Sublessee to Sublessor under this lease any disagreement between the parties with respect to the interpretation or application of this lease or the obligations of the parties hereunder shall be determined by binding arbitration. Such arbitration shall be conducted on request of either the Sublessor or Sublessee. The arbitration shall be in conformity with and subject to the provision of the California Code of Civil Procedure relating to arbitration. The expense of arbitration proceedings conducted hereunder shall be borne equally by the parties. All arbitration proceedings hereunder shall be conducted in the city of San Diego, California. This provision shall not apply to the City in the event of termination and attornment.

Notice: By initialing in the space below you are agreeing to have any dispute arising out of the matters included in the "Binding Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. By initialing in the space below you are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Binding Arbitration of Disputes" provision. If you refuse to submit to arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California code of civil procedure. Your agreement to this arbitration provision is voluntary. We have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision to neutral arbitration. This provision shall not apply to the City in the event of termination and attornment.

Initials: _____ _____

Kevin O'Donnell
Crownair Aviation

Douglas D. Holthaus
Bariloche Adventura, Ltd.

23. Legal Proceedings: Should it become necessary for Sublessor or City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

24. Assigning or Subleasing. Sublessee shall not assign this sublease or sublet the Premises or any part thereof without the prior written consent of Sublessor and the City of San Diego. An assignment by operation of law shall automatically terminate this Sublease. The consent of Sublessor to any

assignment of Sublessee's interest in this Sublease, or the subletting by Sublessee of the Premises or part of the Premises shall not be unreasonably withheld.

25. Mortgage or Deed of Trust. Sublessee may place a mortgage or deed of trust on any improvements owned by Sublessee located on the premises and on Sublessee's leasehold interest in the premises, subject to (1) the terms of such mortgage or deed of trust being commercially reasonable, including providing for commercially reasonable rights of the lender to notice and opportunity to cure any default by Sublessee and foreclosure rights, and (2) the consent of the City, and (3) such mortgage or deed of trust shall not encumber Sublessor's leasehold interest or the City's interest in the Premises.

26. Subordination. This agreement is, in effect, a sublease of a portion of the premises covered by that certain Lease Agreement dated May 6, 1996, as amended between the Sublessor herein and the City of San Diego. This Sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

27. Binding on Heirs and Successors. The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.

28. Time of Essence. Time is expressly declared to be of the essence of this sublease.

29. Modification. This agreement contains all of the agreements and understandings of the parties and cannot be amended, modified or changed except by a subsequent written agreement.

Executed at San Diego, California on the **1st day of March, 2004**.

Sublessor:
Air 88, Inc. d.b.a. Crownair, a California corporation

by: _____
Kevin O'Donnell – Chief Operating Officer

Sublessee:

_____
Douglas D. Holthaus
Bariloche Adventura, Ltd. (an Oregon Corporation)

EXHIBIT "A"

DESCRIPTION OF PROPERTY

A portion of Lease Lots 5A and 9 at Montgomery Field Airport that specifically is shown on the Master Plot Plan (Exhibit "C") with the legal address of:

3753 John J. Montgomery Drive, Hangar # 36
San Diego, CA 92123

EXHIBIT "B"

MASTER PLOT PLAN

AIR 88, INC.
dba CROWNAIR AVIATION
PLOT PLAN

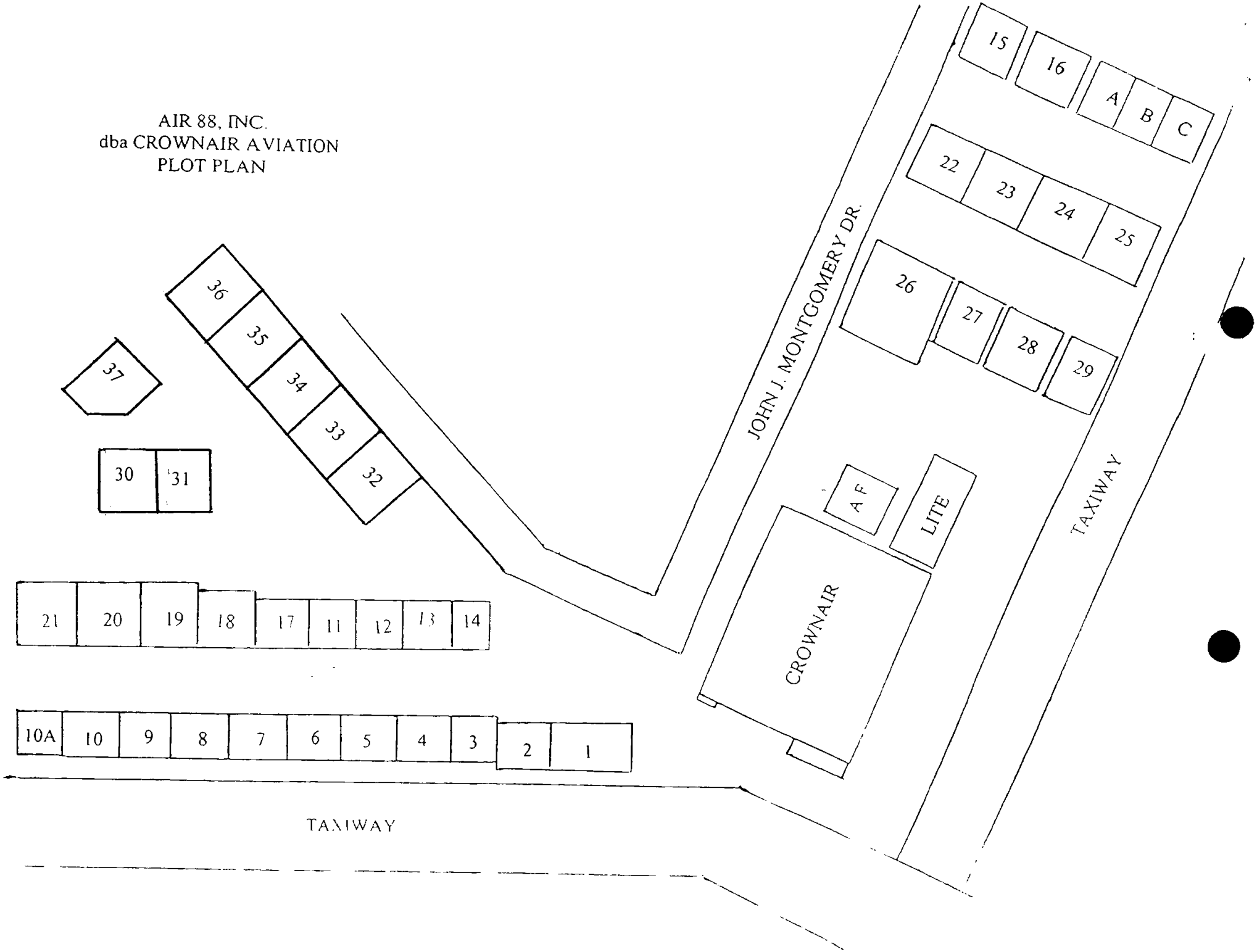


EXHIBIT "C"

MASTER LEASE

3/4

AIG AVIATION

CERTIFICATE OF INSURANCE

THIS IS TO CERTIFY TO: Bariloche Adventura, LTD., Oregon Corporation
1058 Twenty-First Street
San Diego, CA 92102

THAT THE FOLLOWING POLICY/IES OF INSURANCE HAVE BEEN ISSUED TO:
Bear Air, LLC
P. O. Box 39
Duncansville, PA 16635

AIRCRAFT POLICY NO. AV 1852711-02
POLICY PERIOD: From August 30, 2004 to August 30, 2005
INSURANCE COMPANY National Union Fire Insurance Company of Pittsburgh, Pa.

LIABILITY COVERAGES	LIMITS OF LIABILITY EACH PERSON	EACH OCCURRENCE
Bodily Injury Excluding Passengers	$	$
Property Damage	$ XXXX	$
Passenger Bodily Injury	$	$
Single Limit IN cluding Passengers,	$ XXXX	$ 2,000,000.
With Passenger Liability Limited To	$	$ XXXX

PHYSICAL DAMAGE COVERAGE: ALL RISKS, GROUND & IN-FLIGHT DEDUCTIBLES: IN-MOTION NOT IN-MOTION INGESTION MOORING

REGISTRATION NUMBER	MAKE & MODEL	YEAR	INSURED VALUE	NOT IN-MOTION	INGESTION MOORING	LIEN AMOUNT
N28MH	Cessna Citationjet 525	2003	$ 5,500,000.	$ Nil	$ Nil	$ N/A
			$	$	$	$
			$	$	$	$
			$	$	$	$

OTHER COVERAGES/CONDITIONS/REMARKS
Premises Liability is included as per the attached.

The Certificate Holder is included as an Additional Insured, but only as respects operations of the Named Insured.

The **Aviation Managers** have made provision to give the certificate holder prompt notice of cancellation of any policy above. But, the **Aviation Managers** assume no responsibility for failure to provide such notice. This certificate does not change in any way the actual coverages provided by the policy/ies specified above.

Certificate No. 1

Date of Issue January 19, 2005 kt

By William R. Eaton
(Authorized Representative)

AV30 (1/01)

4/4

PREMISES AMENDMENT ENDORSEMENT

In consideration of additional premium of $ Included, this policy is amended as follows:

The definition of **Premises** set forth in the policy is deleted and replaced with the following:

"Premises" means such portions of airports as are designated and used for the parking or storage of **aircraft** inclusive of **premises** owned, operated or maintained by the **Insured.**

However, the insurance provided by this endorsement shall be secondary to and excess over any other valid and collectible insurance available to the **Insured.**

All other provisions of this policy remain the same.

This endorsement becomes effective August 30, 2004 to be attached to and hereby made a part of Policy No. AV 1852711-02 issued to Bear Air, LLC

By National Union Fire Insurance Company of Pittsburgh, PA

Endorsement No. 15

Date of Issue January 19, 2005 kt

By William R. Evans
(Authorized Representative)

AV118 (1/01)

136 20 #20

Phone: (503) 986-2200
Fax: (503) 378-4381

Articles of Incorporation—Business/Professional

Secretary of State
Corporation Division
255 Capitol St. NE, Suite 151
Salem, OR 97310-1327

Check the appropriate box below:

☑ BUSINESS CORPORATION
(Complete only 1, 2, 3, 4, 5, 6, 8, 9, 10)

☐ PROFESSIONAL CORPORATION
(Complete all items)

For office use only

FILED
MAR 0 4 2003
OREGON
SECRETARY OF STATE

Registry Number: 134315-98

Attach Additional Sheet if Necessary
Please Type or Print Legibly in Black Ink

1) NAME Bariloche Adventura, Ltd.

NOTE: For a BUSINESS CORPORATION, the name must contain the word "Corporation," "Company," "Incorporated," or "Limited," or an abbreviation of one of such words. For a PROFESSIONAL CORPORATION, the name must contain the words "Professional Corporation," or abbreviations thereof, i.e., "P.C.," or "Prof. Corp."

2) REGISTERED AGENT
Greg Wahl-Stephens

3) ADDRESS OF REGISTERED AGENT (Must be an Oregon Street Address which is identical to the registered agent's business office. Must include city, state, zip; no PO Boxes.)
4009 SE 11th
Portland, Oregon 97202

4) ADDRESS FOR MAILING NOTICES
c/o Adkins & Holthaus
1058 Twenty-First Street
San Diego, CA 92102

5) OPTIONAL PROVISIONS (Attach a separate sheet.)

☑ CHECK HERE TO INDICATE ON YOUR REGISTRATION THAT YOU DO NOT WANT MAIL SOLICITATION. PLEASE NOTE, THERE IS NO OBLIGATION ON THE PART OF PERSONS USING OUR LISTS TO REFRAIN FROM MAILING SOLICITATIONS. THE MARK IS SIMPLY INFORMATIONAL. ORS 56.022

6) NUMBER OF SHARES THE CORPORATION WILL HAVE THE AUTHORITY TO ISSUE 10,000

PROFESSIONAL CORPORATION ONLY

7) PROFESSIONAL/BUSINESS SERVICES (List professional service(s) and other business services to be rendered.)

8) INCORPORATORS (List names and addresses of each incorporator. Attach a separate sheet if necessary.)
Douglas D. Holthaus, Esq.
1058 Twenty-First Street
San Diego, CA 92102

9) EXECUTION (All incorporators must sign. Attach a separate sheet if necessary.)

Printed Name	Signature
Douglas D. Holthaus, Esq.	

FEES

Business Corporation	$ 50
Professional Corporation	$ 40

Make check payable to "Corporation Division."

NOTE: Filing fees may be paid with VISA or MasterCard. The card number and expiration date should be submitted on a separate sheet for your protection.

10) CONTACT NAME
Douglas D. Holthaus, Esq.

DAYTIME PHONE NUMBER – INCLUDING AREA CODE
(619) 234-3678

CR111 (Rev. 12/99)

9F3-4

RESOLUTION ADOPTED BY UNANIMOUS WRITTEN CONSENT IN LIEU OF THE MEETING OF BOARD OF DIRECTORS OF BARILOCHE ADVENTURA, LTD.

February 23, 2004

The undersigned member of the Board of Directors ("Board") of Bariloche Adventura, Ltd. ("Corporation"), a corporation organized under the Business Corporation Act of the State of Oregon, being all of the members of such Board as presently constituted, do by this writing consent to take the following actions and adopt the following resolutions in lieu of a meeting of the Board:

BE IT RESOLVED, that Douglas D. Holthaus is hereby appointed as authorized agent/signer on behalf of the Corporation with respect to the Sublease of that certain 70x80 hangar described as Lease Lot 9, Montgomery Field Airport ("Hangar"); and

NOW THEREFORE, BE IT RESLOVED, that this Corporation authorizes Douglas D. Holthaus to do all things required to effectuate the Sublease of the Hangar; and

BE IT FURTHER RESOLVED, that this Corporation as to the appointment of such authorized representative named in these resolutions shall be binding upon this Corporation, and the authority conferred by these resolutions shall remain in force until written notice of the revocation or modification thereof.

IN WITNESS WHEREOF, the undersigned set their hands effective the date first above stated.

Michael Herman

Douglas D. Holthaus

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (MASTER LEASE) entered into with

Air 88 Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18298, hereby consents to that certain Sublease Agreement dated March 22, 2006 between LESSEE (also referred to as SUBLESSOR) and

The 2005 Rozzelle Family Limited Partnership, a Nevada Limited Partnership (SUBLESSEE)

for a portion of LESSEEs leased premises, specifically Hangar 37, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for the purposes of aircraft storage.

2. SUBORDINATION: The SUBLEASE shall be subordinate to the MASTER LEASE in all respects, notwithstanding any provision of this consent or the MASTER LEASE contrary to or in conflict with the SUBLEASE. The CITY is not bound by any term or condition in the SUBLEASE which in any way conflicts with or is additional to the provisions of the MASTER LEASE. The CITY is merely approving the SUBLESSEE and the proposed use only.

3. ASSIGNMENT AND SUBLETTING: LESSEE shall ensure SUBLESSEE does not assign the SUBLEASE or sublet the premises or any part thereof without the prior written consent of the CITY; any such unapproved assignment or sublease may result in termination of the MASTER LEASE.

4. HOLD HARMLESS: LESSEE shall assume the defense of, indemnify and hold harmless the CITY, its elected officials, officers, representatives, agents and employees from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from operations conducted on the leased premises, the condition of the premises or from any act or omission of LESSEE, its agents or invitees and of SUBLESSEE, its agents or invitees; provided, however, LESSEE and 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 CITY, its agents, officers, or employees.

5. INSURANCE: LESSEE shall ensure that its SUBLESSEE be insured by an insurance carrier acceptable to the CITY, against loss from public liability arising from the use or condition of or operation conducted on the subleased premises. Minimum coverage shall be one million dollars ($1,000,000) Combined Single Limit Liability. LESSEE shall require SUBLESSEE to file with CITY a copy of the policy of insurance which shall name "The City, its elected officials, officers, representatives, agents and employees" as an additional insured on a separate endorsement prior to SUBLESSEE'S occupancy of the premises. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by the insurance company.

6. LEGAL PROCEEDING: Should it become necessary for the CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Consent or the MASTER LEASE, the prevailing party shall be entitled to an award of reasonable legal costs, including court costs and attorney's fees.

THE CITY OF SAN DIEGO

Dated 22 August 2006

By _____
Michael C. Tussey
Deputy Director, Airports Division

LESSEE

Dated 8/22/06

By _____
Kevin O'Donnell
Chief Executive Officer, Air 88 Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 8/23/06

By _____
Deputy City Attorney