

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 and Salvage, Inc.

(LESSEE), dated May 6, 1996, and filed in the Office of the City Clerk as Document No.00-18297, hereby consents to that certain Sublease Agreement effective December 1, 2005 between LESSEE (also referred to as SUBLESSOR) and

Carlsbad Air Service, Inc. (SUBLESSEE)

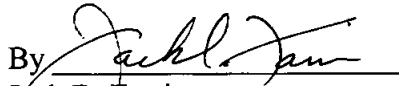
for a portion of LESSEE'S leased premises, specifically the office/maintenance hangar and five (5) aircraft tiedowns directly east of the hangar, and on the following terms and conditions:

1. USE: The proposed use is solely and exclusively for aviation related uses.
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 12/08/05

By 
Jack D. Farris
Acting Director, Real Estate Assets

LESSEE

Dated 12-6-05

By 
Frank Curry
President, Coast Aircraft Sales and Salvage, Inc.

APPROVED AS TO FORM AND LEGALITY:

Michael J. Aguirre, City Attorney

Dated 12/14/05

By 
Deputy City Attorney

HANGAR SUBLEASE

COAST AIRCRAFT SALES, INC.
A California Corporation
("Sublessor")

and

CARLSBAD AIR SERVICE, INC.
A California Corporation
("Sublessee")

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HANGAR SUBLEASE

This Hangar Sublease, hereafter known as this "**Sublease**," is entered into this 1 day of December, 2005, by and between COAST AIRCRAFT SALES, INC., a California corporation, hereinafter called "**Sublessor**," and CARLSBAD AIR SERVICE INC., a California corporation, hereinafter called "**Sublessee**." This Sublease is a sublease under the Lease Agreement entered into between the City (defined below) and Sublessor (the "**Master Lease**"), which Master Lease is filed in the Office of the City Clerk as Document No. 00-18297. The Sublessor under this Sublease is the Master Lessee under said Master Lease, and the City of San Diego, hereinafter called "**City**," is the Master Lessor under said Master Lease. In consideration of the amounts to be paid and the terms, covenants, and conditions to be kept, performed, and satisfied by the parties to this Sublease, Sublessor hereby subleases to Sublessee certain premises consisting of a leasehold and improvements situated on a portion of the land covered in the Master Lease. Sublessor and Sublessee agree as follows:

Commencement Date (See Section 2.1): December 1, 2005.

Base Monthly Rent (See Section 3.1): Base Monthly Rent shall be payable by Sublessee for each month during the term in accordance with the following schedule which reflects a fixed annual increase in Base Monthly Rent in the amount of three percent (3%):

Month of Term	Total Base Monthly Rent
1-12	\$6,000.00
13-24	\$6,180.00
25-36	\$6,365.40
37-48	\$6,556.36
49-60	\$6,753.05

Security Deposit (See Section 16.1): \$6,000

THE PARTIES AGREE AS FOLLOWS:

1. PREMISES

1.1 **Premises.** Sublessor leases to Sublessee and Sublessee hires from Sublessor, on the terms, covenants, and conditions hereinafter set forth, the premises (the "**Premises**") designated in Exhibit A consisting of a hangar, as described in Section 1.1 of the Master Lease, with five (5) aircraft tie-downs located directly east of the hangar. The Premises is a portion of the real property (the "**Property**") described in the Master Lease. In the event that, following the Commencement Date, the actual area of the Premises is determined to be more or less than the area described in this Sublease and/or the area described in any other documents provided to

Sublessee by Sublessor or Sublessor's agent(s), there shall be no adjustment to Base Monthly Rent (defined below) or any other cost charge due under this Sublease. Appurtenant to the Premises shall also be a nonexclusive right to use (1) any common areas and (2) all easements, licenses and other rights of access over, upon and across all runways, taxiways, and staging areas to which Sublessor has access pursuant to the Master Lease. The Premises is (or, upon the Commencement Date, will be) improved with a building (the "**Building**") which (1) will be (or has been) sold to Sublessee and (2) will be used by Sublessee as an aircraft hangar.

1.1.1 Use of Common Areas. Sublessee and its employees, agents and invitees, shall have the nonexclusive use of the common areas (including common areas located within the Premises, if any) along with the other tenants of the Property and their respective employees, agents and invitees.

1.1.2 Definition of Common Areas. As used herein, the term "**common areas**" shall mean all areas and facilities within the Property which are provided and designated from time to time by Sublessor for the general use and convenience of Sublessee and other tenants of the Property and their respective employees, agents and invitees. Common areas include, without limitation, driveways, walkways, parking areas, fueling area, landscaped areas, taxiways, and staging areas.

1.2 Sublessor's Reserved Rights. Sublessor reserves the right to, from time to time, (i) install, use, maintain, repair and replace pipes, ducts, conduits, wires and appurtenant meters and equipment for service to other parts of the Property above the ceiling surfaces, below the floor surfaces, within the walls or leading through the Building in locations which will not materially interfere with Sublessee's use thereof, (ii) relocate any pipes, ducts, conduits, wires and appurtenant meters and equipment included in the Premises which are so located or located elsewhere outside the Premises, (iii) construct other buildings or improvements on the Property, (iv) build additional stories on any building or buildings on the Property (other than the Building), (v) lease any portion of the Property for the construction of improvements or buildings and (vi) reconfigure and/or restripe driveways, walkways, and taxiways. Sublessor may modify or enlarge the common area, alter or relocate accesses to the Premises, including both separate and common accesses and provisions of a separate access, or alter or relocate any common facility. Sublessor shall not exercise rights reserved to it pursuant to this Section 1.2 in such a manner as to materially impair Sublessee's ability to conduct its activities in the normal manner; however, the foregoing shall not limit or restrict Sublessor's right to undertake reasonable construction activity and Sublessee's use of the Premises shall be subject to reasonably temporary disruption incidental to such activity diligently prosecuted. Sublessor further reserves to itself the right, from time to time, to grant such easements, rights and dedications that Sublessor deems necessary or desirable, and to cause the recordation of restrictions, so long as such easements, rights, dedications and restrictions do not unreasonably interfere with the use of the Premises by Sublessee. Sublessee shall promptly sign any documents necessary to affect the aforementioned rights, upon request of Sublessor and failure to do so shall constitute a material breach of this Sublease.

2. TERM

2.1 Term. The term of this Sublease Agreement shall be for sixty (60) months commencing upon the Substantial Completion (as defined below) of the Improvements (as defined below) and terminating on October 31, 2010, unless sooner terminated as provided herein. For purposes of this Sublease, "Substantial Completion" of the Improvements shall be deemed to have occurred upon Sublessor's receipt of written certification from an architect and/or contractor that the Improvements are substantially complete in accordance with all plans and specifications for such Improvements. For purposes of this Sublease, "Improvements" shall mean the Building and the common driveways and taxiways shown on the Site Plan.

2.2 Holding Over. If Sublessee, with Sublessor's consent, holds possession of the Premises after the term of this Sublease, Sublessee shall become, at Sublessor's option, a tenant from month-to-month upon the terms herein specified for the period immediately prior to such holding over, including payment of and adjustment to the Base Monthly Rent and shall continue in such status until the tenancy shall be terminated by either party upon not less than 30 days prior written notice of intent to terminate the tenancy.

3. RENTAL

3.1 Base Monthly Rent. Sublessee shall pay to Sublessor as base rental for the Premises in the amount of the Base Monthly Rent set forth in Section 1 above per month, in advance, without deduction, offset, notice or demand, on or before the first day of each calendar month commencing on the Commencement Date and so continuing for the balance of the term of this Sublease. If the obligation to pay Base Monthly Rent hereunder commences on other than the first day of a calendar month or if the term of this Sublease terminates on other than the last day of a calendar month, the Base Monthly Rent for such first and/or last month of the term of this Sublease, as the case may be, shall be prorated in the proportion that the number of days this Sublease is in effect during such period bears to 30. Sublessee shall pay Sublessor upon the execution hereof Base Monthly Rent for the period commencing on the Commencement Date to the first day of the next calendar month.

3.2 Late Charge. Sublessee shall pay to Sublessor a late charge in an amount equal to 10% of any installment of rental or other charge not paid in full on or before the 10th day of the month in which such rental or other charge is due. Sublessee acknowledges that late payment by Sublessee to Sublessor will cause Sublessor to incur costs not contemplated by this Sublease, including, without limitation, processing and accounting charges and late charges which may be imposed on Sublessor by the terms of any note secured by an encumbrance covering the Premises. Sublessee further acknowledges that it is extremely difficult and impractical to fix the exact amount of such costs and that the late charge set forth in this Section represents a fair and reasonable estimate thereof. Acceptance of any late charge by Sublessor shall not constitute a waiver of Sublessee's default with respect to overdue payment, nor shall such acceptance prevent Sublessor from exercising any other rights and remedies available to it.

3.3 Allocation of Payment. If Sublessee shall tender to Sublessor a payment which is less than the full amount then owed by Sublessee under this Sublease, then Sublessor may apply the payment to the following items in the following order: (i) attorney's fees and costs incurred

by Sublessor for which Sublessee is required to reimburse Sublessor, (ii) late charges and interest when due, (iii) Base Monthly Rent then due, and (iv) other costs and charges then due.

4. TAXES

4.1 Personal Property. Sublessee shall be responsible for and shall pay prior to delinquency all taxes and assessments levied against or by reason of all alterations and additions and all other items installed or paid for by Sublessee under this Sublease, and the personal property, trade fixtures and all of the property placed by Sublessee in or about the Premises. Upon demand by Sublessor, Sublessee shall furnish Sublessor with satisfactory evidence of payment thereof. If at any time during the term of this Sublease any of said alterations, additions or personal property, whether or not belonging to Sublessee, shall be taxed or assessed as part of the Property, then such tax or assessment shall be paid by Sublessee to Sublessor immediately upon presentation by Sublessor or copies of the tax bills in which such taxes and assessments are included and shall for the purposes of this Sublease, be deemed to be personal property taxes or assessments under this Section. Except as provided above, Sublessor shall be solely responsible for and shall pay all "Real Property Taxes (defined below) and such Real Property Taxes shall not be subject to reimbursement by Sublessee. "Real Property Taxes" means and includes any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed upon the Premises, or the remainder of the Project by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school district, agricultural, sanitary, fire, street, drainage or other improvement district thereof, levied against any legal or equitable interest of Sublessor in the Project or in the real property of which the Project is a part, Sublessor's right to rent or other income therefrom, and/or Sublessor's business of leasing the Premises.

5. UTILITIES

5.1 Payment. Beginning on the Commencement Date and continuing throughout the term of this Sublease, before delinquency, Sublessee shall pay all separately metered charges, if any, for water, gas, heat, electricity, power, sewer, telephone, janitorial or other services or utilities supplied to or consumed in or upon the Premises. If any of the utility services supplied to the Premises are not separately metered, then the amount thereof may be paid by Sublessor and reimbursed by Sublessee.

5.2 Interruption. There shall be no abatement of rent or other charges required to be paid hereunder and Sublessor shall not be liable in damages or otherwise for interruption or failure of any service or utility furnished to or used in the Premises because of accident, making of repairs, alterations or improvement, severe weather, difficulty or inability in obtaining services or supplies, labor difficulties or any other cause.

6. ALTERATIONS

6.1 Right to Make Alterations. Subject to (i) any limitations imposed by City under the Master Lease, (ii) Sublessor's prior written consent which shall not be unreasonably withheld or delayed, and (iii) any other applicable law, Sublessee may make alterations, additions and

improvements to the Building which do not interfere with the use of the common areas. All such alterations, additions and improvements shall be completed with due diligence in a first-class workmanlike manner and in compliance with the plans and specifications and all applicable laws, ordinances, rules and regulations, including rules and regulations of the Federal Aviation Administration and Department of Transportation.

6.2 Conditions to Make Improvements. In making any alterations or improvements to the Building which Sublessee has a right to make, Sublessee shall comply with all of the following:

6.2.1 Bond. If the proposed alteration or improvement will reasonably cost more than \$25,000, then Sublessor may require Sublessee to provide to Sublessor and Sublessor's lender (if any), at Sublessee's sole cost and expense, a lien and completion bond in an amount equal to 150% of the estimated cost of such alterations or improvements to insure Sublessor against any liability for mechanics and materialmen's liens and to insure completion of the work.

6.2.2 Permits. Sublessee shall acquire, at Sublessee's sole cost and expense, all necessary building and other permits from appropriate governmental agencies and furnish copies thereof to Sublessor prior to the commencement of the work. Sublessee shall comply with all conditions of such permits in a prompt and expeditious manner.

6.2.3 Notice. Sublessee shall give Sublessor not less than 10 days' notice prior to the commencement of any work in the Premises, and Sublessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law.

6.2.4 Liens. Sublessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Sublessee at or for use in the Premises, which claims are or may be secured by any mechanics or materialmen's liens against the Premises or any interest therein. If Sublessee shall, in good faith, contest the validity of any such lien, claim or demand, then Sublessee shall, at its sole expense, defend itself and Sublessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Sublessor or the Premises, upon the condition that if Sublessor shall require, Sublessee shall furnish to Sublessor a surety bond satisfactory to Sublessor in an amount equal to such contested lien claim or demand indemnifying Sublessor against liability for the same and holding the Premises free from the effect of such lien or claim. In addition, Sublessor may require Sublessee to pay Sublessor's attorney's fees and costs in participating in such action if Sublessor shall decide it is to its best interest to do so.

6.3 Title to Alterations. Upon expiration or termination of this Sublease, the Building and all alterations, additions, and improvements installed pursuant to this Sublease shall become the property of Sublessor, unless Sublessor elects to require Sublessee to remove the same as provided below; however, the foregoing shall not apply to Sublessee's movable furniture and trade fixtures not affixed to the Property.

7. MAINTENANCE AND REPAIRS

7.1 Sublessor's Work. Sublessor shall repair and maintain or cause to be repaired and maintained the common areas; provided, however, if any such repair or maintenance is necessitated by the negligence or willful conduct of Sublessee or Sublessee's agents, contractors, or invitees, the cost thereof shall be borne by Sublessee and shall be immediately due upon demand by Sublessor. Except as expressly otherwise provided in this Sublease, the parties intend that Sublessor shall have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the equipment therein, all of which obligations are intended to be that of Sublessee. Sublessee waives the benefit of any statute now or hereinafter in effect which would otherwise afford Sublessee the right to make repairs at Sublessor's expense or to terminate this Sublease because of Sublessor's failure to keep the Premises in good order, condition and repair, including California Civil Code Sections 1932, 1933, 1941 and 1942. Notwithstanding any provision set forth in this Sublease to the contrary, if Sublessee provides written notice to Sublessor of an event or circumstance which requires the action of Sublessor with respect to repair and/or maintenance, and Sublessor fails to provide such action within a reasonable period of time, given the circumstances, after the receipt of such notice, then Sublessee may proceed to take the required action upon delivery of an additional three (3) business days' notice to Sublessor specifying that Sublessee is taking such required action (provided, however, that neither of the notices shall be required in the event of an emergency which threatens life or where there is imminent danger to property or a possibility that a failure to take immediate action could cause a material disruption in Sublessee's normal and customary business activities), and if such action was required under the terms of this Sublease to be taken by Sublessor and was not taken by Sublessor within the time provided (unless such notice was not required as provided above), then Sublessee shall be entitled to reimbursement by Sublessor of Sublessee's reasonable costs and expenses in taking such action. If Sublessor does not deliver a detailed written objection to Sublessee within thirty (30) days after receipt of an invoice by Sublessee of its costs of taking action which Sublessee claims should have been taken by Sublessor, and if such invoice from Sublessee sets forth a reasonably particularized breakdown of its costs and expenses in connection with taking such action on behalf of Sublessor, then Sublessee shall be entitled to payment from Sublessor in the amount set forth in such invoice. If, however, Sublessor delivers to Sublessee, within thirty (30) days after receipt of Sublessee's invoice, a written objection to the payment of such invoice, setting forth with reasonable particularity Sublessor's reasons for its claim that such action did not have to be taken by Sublessor pursuant to the terms of this Sublease or that the charges are excessive (in which case Sublessor shall pay the amount it contends would not have been excessive), then Sublessee as Sublessee's sole remedy, may proceed to claim a default by Sublessor or, if elected by either Sublessor or Sublessee, the matter shall proceed to resolution by the selection of an arbitrator to resolve the dispute, which arbitrator shall be selected and qualified pursuant to the procedures set forth the arbitration provision in this Sublease.

7.2 Sublessee's Obligation for Maintenance.

7.2.1 Good Order, Condition and Repair. By accepting possession of the Premises, Sublessee acknowledges that the Premises are in good and sanitary order, condition and repair. Except as provided in Section 8.1 hereof, Sublessee at its sole cost and expense shall keep and maintain in good and sanitary order, condition and repair the Premises and the Building

and every part thereof including all repairs, replacements, renewals and restorations, ordinary and extraordinary, foreseen and unforeseen, as required.

7.2.2 Sublessor's Remedy. Should Sublessee, after notice from Sublessor, fail to make or perform promptly any repairs or maintenance which are the obligation of Sublessee hereunder, Sublessor shall have the right, but shall not be required, to enter the Premises and make the repairs or perform the maintenance necessary to restore the Premises to good and sanitary order, condition and repair. Immediately on demand from Sublessor, the cost of such repairs shall be due and payable by Sublessee to Sublessor as additional rent.

7.2.3 Condition Under Surrender. At the expiration or earlier termination of this Sublease, Sublessee shall surrender the Premises, including the Building and any additions, alterations and improvements thereto, broom clean, in good sanitary order, condition and repair, ordinary wear and tear excepted, after first removing all goods and effects of Sublessee, and fixtures and items required to be removed or specified to be removed at Sublessor's election pursuant to this Sublease, and repairing any damage caused by such removal. Sublessee shall not have the right to remove fixtures or equipment if Sublessee is in default hereunder unless Sublessor specifically waives this provision in writing.

8. USE OF PREMISES

8.1 Permitted Use. Sublessee shall use the Premises only for (1) an aircraft hangar and/or (2) aircraft repair. Sublessee shall not allow use of the Premises for any purpose which violates the Master Lease. Sublessee acknowledges that as a condition to providing consent to use of Premises for purpose other than a private aircraft hangar, City may impose various fees and charges, all of which shall be timely and fully paid by the Sublessee.

8.2 No Nuisance Rules. With the exception of usual and customary aircraft activities, Sublessee shall not use the Premises for or carry on or permit upon the Premises or the Property or any part thereof any offensive, noisy, or dangerous activity. Sublessee shall not do or permit anything to be done in or about the Premises, nor bring nor keep anything therein which will in any way cause the Premises to be uninsurable with respect to the insurance required by this Sublease or with respect to standard fire and extended coverage insurance with vandalism, malicious mischief and riot endorsements. Sublessee shall comply with rules and regulations (together with any authorized amendment or supplement thereto) as shall be adopted by City and/or Sublessor for the convenient, safe and efficient operation of the Property, including, without limitation, the rules attached hereto as Exhibit B.

8.3 Compliance with Laws. Sublessee shall not use the Premises or permit the Premises to be used in whole or in part for any purpose or use that is in violation of any of the laws, ordinances, regulations or rules of any governmental agency or public authority. Sublessee shall keep the Premises equipped with all safety appliances required by law, ordinance or insurance on the Premises, or any order or regulation of any public authority because of Sublessee's particular use of the Premises (including, without limitation, the federal Occupational Health and Safety Act of 1970, and the California Occupational Health and Safety

Act of 1973). Sublessee shall (i) use the Premises in strict accordance with all applicable ordinances, rules, laws and regulations and shall comply with all requirements of all governmental authorities now in force and which may hereafter be in force pertaining to the use of the Premises by Sublessee, including, without limitation, California Hazardous Waste Control Act (Health & Safety Code Section 25100, *et seq.*), California Underground Storage of Hazardous Substances Act (Health & Safety Code Section 25280, *et seq.*), California Hazardous Substances Account Act (Health & Safety Code Section 25300, *et seq.*), California Porter-Cologne Water Quality Control Act (Water Code Section 13000, *et seq.*), Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, *et seq.*) and Resource Conservation and Recovery Act (42 U.S.C. 6901, *et seq.*) and statutes and regulations applicable to noise, and air pollution, and (ii) make such alterations and additions thereto as may be required from time to time by such laws' ordinances, rules, regulations and requirements of governmental authorities, or insurance on the Premises because of Sublessee's particular use of the Premises. Sublessor shall have no responsibility whatsoever for seeking any general plan amendment, rezone, map or other discretionary or ministerial license or permit whatsoever from any governmental agency of public authority which may be necessary for Sublessee's lawful possession and/or use of the Premises (including regulations of the Federal Aviation Administration and Department of Transportation).

8.4 Protective Covenants. Sublessee will (i) comply with any covenants, conditions, restrictions and regulations affecting the Property (including regulations of the Federal Aviation Administration and Department of Transportation), (ii) immediately give Sublessor written notice of receipt by Sublessee of any notice of violation under any protective covenants, and (iii) indemnify and hold Sublessor harmless from any liability or costs (including attorneys' fees) indirectly or directly arising out of Sublessee's violation of any of the protective covenants and regulations.

9. INSURANCE

9.1 Sublessee's Insurance. Sublessee shall procure and maintain in full force and effect during the term of this Sublease comprehensive public liability and property damage insurance to protect against any liability to the public, or to any invitee of Sublessee or Sublessor, arising out of or related to the use of or resulting from any accident occurring in, upon or about the Premises, with limits of liability established, from time to time, by the City, but in no event less than (i) \$1,000,000 for injury to or death of one person, (ii) \$1,000,000 for personal injury or death, per occurrence, (iii) \$500,000 for property damage or a combined single limit of public liability and property damage insurance of not less than \$1,000,000, and (iv) Worker's Compensation to statutory limits. Such insurance shall name Sublessor as an additional insured thereunder. The policy shall insure performance by Sublessee of the indemnity provisions below. The limits of said insurance shall not, however, limit the liability of Sublessee hereunder. Not more frequently than each three years, if, in the opinion of Sublessor's lender or of an insurance broker retained by Sublessor or of City, the amount of insurance coverage at that time is not adequate, Sublessee shall increase the insurance coverage as required by either Sublessor's lender, Sublessor's insurance broker or City within 10 days after receipt of Sublessor's written request that Sublessee do so.

9.2 Quality of Policies and Certificates. All policies of insurance required hereunder shall be issued by companies holding a "General Policyholders Rating" of at least A Plus, or such other rating as may be required by lender having a lien on the Property, as set forth in the most current issue of Best's Insurance Guide. Sublessee shall deliver to Sublessor copies of policies or certificates of insurance showing that said policies are in effect. The coverage provided by such policies shall include the waiver of subrogation clause or endorsement referred to below. Should sublessee fail to acquire, maintain or renew any insurance required to be maintained by it under this Article or to pay the premium therefor, then Sublessor, at its option and in addition to its other remedies, but without obligation so to do, may procure such insurance, and any sums expended by it to procure any such insurance shall be repaid upon demand with interest at the rate of 10% per annum as additional rent. Sublessee shall obtain written undertakings from each insurer under policies required to be maintained by it to notify in writing all insured thereunder at least 30 days prior to cancellation, amendment or revision of coverage.

9.3 Waiver of Subrogation. To the extent permitted by law and without affecting the coverage provided by insurance required to be maintained hereunder, Sublessor and Sublessee each waive any right to recover against the other (i) damage for injury to or death of persons, (ii) damage to property, (iii) damage to the Premises or any part thereof, or (iv) claims arising by reason of any of the foregoing, but only to the extent that any of the foregoing damages and claims under subparts (i)-(iv) hereof are covered, and only to the extent of such coverage, by insurance actually carried or required to be carried hereunder by either Sublessor or Sublessee. This provision is intended to waive fully, and for the benefit of each party, any rights and claims which might give rise to a right of subrogation in any insurance carrier. Each party shall procure a clause or endorsement on any policy required under this Article denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to the occurrence of injury or loss. Coverage provided by insurance maintained by Sublessee under this Article 10 shall not be limited, reduced, or diminished by virtue of the subrogation waiver herein contained.

9.4 Increase in Premiums. Sublessee shall do all acts and pay all expenses necessary to insure that the Premises are not used for purposes prohibited by any applicable fire insurance, and that Sublessee's use of the Premises complies with all requirements necessary to obtain any such insurance. In the event Sublessee uses or permits the Premises to be used in a manner which increases the existing rate of any insurance carried by Sublessor, Sublessee shall pay the amount of the increase in premium caused thereby, and Sublessor's costs of obtaining other replacement insurance policies, including any increase in premium, within 10 days after demand therefor by Sublessor, as additional rent.

9.5 Sublessee's Indemnification. Subject to the waiver of subrogation above, Sublessee shall indemnify, defend and hold Sublessor, its agents, employees and contractors, harmless from any and all liability for injury to or death of any person, or loss of or damage to the property of any person, and all actions, claims, demands, costs, including without limitation, reasonable attorneys' fees, damages or expenses of any kind arising therefrom which may be brought or made against Sublessor or which Sublessor may pay or incur by reason of the use, occupancy and enjoyment of the Premises by sublessee or any invitees, sublessees, licensees, assignees, employees, agents or contractors of Sublessee or holding under Sublessee from any

cause whatsoever other than the willful misconduct or negligent act or omission by Sublessor, its agents or employees. Sublessor, its partners, agents, employees and contractors shall not be liable for, and Sublessee hereby waives all claims against such persons for, (1) damages to goods, wares and merchandise in or upon the Premises, and tenant improvements and other portions of the Premises for which Sublessee has an obligation to maintain and repair and/or (2) injuries to Sublessee, its agents or third persons in or upon the Premises from any cause whatsoever other than negligent or willful misconduct or omission by Sublessor, its agents or employees. Sublessee shall also indemnify and hold Sublessor harmless from and against any and all claims, losses, fines, penalties and other liabilities which may be imposed upon Sublessor as a consequence of any breach by Sublessee of (1) any provision of the Master Lease and/or (2) any rules and/or regulations imposed by City, Federal Aviation Administration and/or Department of Transportation and/or (3) any provision of this Sublease.

9.6 Sublessee's Fire Insurance. Subject to Sublessor's option below, Sublessee shall procure and maintain in full force and effect during the term of this Sublease fire insurance policies with all-risk, broad-form coverage (including rental loss coverage) or such other broader coverage as may from time to time be customary now or hereafter on the Building (excluding therefrom earthquake insurance). Such insurance shall be in a face amount of not less than the full insurable value (based upon replacement cost) of the Building. Notwithstanding the foregoing, Sublessor may elect to procure such insurance for the Building and other buildings on the Property and, if Sublessor so elects, the cost of such insurance shall be promptly reimbursed by Sublessee.

9.7 Sublessor's Liability Insurance. Sublessor agrees to carry, or cause to be carried, during the term hereof commercial general liability insurance (hereinafter, "**Sublessor's Liability Insurance**") on the common areas, providing coverage of not less than \$1,000,000, combined bodily injury and property damage. The cost of Sublessor's Liability Insurance shall be paid by Sublessor.

10. SUBLEASE AND ASSIGNMENT

10.1 Assignment and Sublease of Premises. Sublessee shall not voluntarily or by operation of law assign, transfer (hereinafter collectively referred to as "**assignment**"), sublet or otherwise transfer or encumber all or part of Sublessee's interest in this Sublease or in the Premises, except as provided herein. ~~Any purported assignment of Sublessee's interest in this Sublease or Sublease not complying herewith shall be void and, at Sublessor's election a noncurable breach of this Sublease for which Sublessor may terminate this Sublease without any notice or grace period.~~ Sublessee may assign sublease, encumber or otherwise transfer Sublessee's interest under this Sublease only upon the following express conditions:

10.1.1 Sublessor's Written Consent. The proposed assignment, subleasing, encumbering or other transfer (collectively "**transfer**") shall be subject to the prior written consent of Sublessor, which consent will not be unreasonable withheld.

10.1.2 Request for Consent. Sublessee shall deliver to Sublessor a written request for Sublessor's written consent to the transfer and accompanying the written request shall be a certified financial statement of the proposed transferee. Sublessor shall have a period of not

less than 20 days after receipt of the written request and delivery of all other papers which may be reasonable required by Sublessor within which to respond to Sublessee's request.

10.1.3 Sublessor's Costs. Prior to the transfer, Sublessee shall pay to Sublessor all costs incurred by Sublessor, including reasonable attorneys' fees, in connection with review of the proposed transfer and transferee.

10.1.4 Assumption of Sublease. The proposed transferee shall execute an agreement pursuant to which the transferee shall agree to perform faithfully and be bound by all of the terms, covenants, conditions, provisions, and agreements of this Sublease.

10.1.5 Continuing Liability. The consent by Sublessor to a transfer shall not in any way be construed to relieve Sublessee or the transferee from any liability whether past, present or future under this sublease or to release Sublessee from any liability under this Sublease because of Sublessor's failure to give notice of default or in respect of any of the terms, covenants, conditions, provisions or agreements of this Sublease.

10.1.6 City Requirements. To the extent City imposes any restrictions and/or imposes any fees in connection with the proposed transfer (including any provision which provides City will be paid some portion of the amount paid by the transferee for the transfer), Sublessee shall comply with all such restrictions and pay all fees. Sublessee shall indemnify and hold Sublessor harmless from any and all liabilities and claims which may be asserted by City as a consequence of any failure by Sublessee to (1) comply with any such City restrictions in connection with a transfer and/or (2) pay to City any such fees owned in connection with a transfer.

10.2 Rights of Sublessor. Consent by Sublessor to one or more assignments of this Sublease, or to one or more subletting of the Premises, or collection of rent by Sublessor from any assignee or Sublessee shall not operate to exhaust Sublessor's rights under this Article, or constitute consent to any subsequent assignment or subletting. No assignment of Sublessee's interest in this Sublease and no sublease shall relieve Sublessee of its obligation hereunder notwithstanding any waiver or extension of time granted by Sublessor to any assignee, or sublessee, or the failure of Sublessor to assert its rights against any assignee or sublessee. In the event of a default by any assignee of Sublessee or any successor of Sublessee in the performance of any of the terms or obligations under this Sublease, Sublessor may proceed directly against Sublessee without the necessity of exhausting remedies against any such assignee or successor.

11. RIGHT OF ENTRY AND QUIET ENJOYMENT

11.1 Right of Entry. Sublessor and its authorized representatives may enter the Premises at any time(s) during the term of this Sublease during normal business hours and upon not less than 24 hours prior notice, except in the case of an emergency, for the purpose of inspecting and determining the condition of the Premises or for any other proper purpose including, without limitation, to make repairs, replacements or improvements which Sublessor may deem necessary, to show the Premises to prospective purchasers, to show the Premises to prospective tenants, to post notices or non-responsibility and any other purpose permitted by law. Sublessor shall not be liable for inconvenience, annoyance, disturbance, loss of business, quiet

enjoyment or other damage or loss to Sublessee by reason of making any repairs or performing any work upon the Premises and the obligations of Sublessee under this Sublease shall not thereby be affected in any manner whatsoever; however, Sublessor shall use reasonable efforts to minimize the inconvenience to Sublessee's normal operations caused thereby.

11.2 Quiet Enjoyment. Sublessor covenants that Sublessee, upon paying the rent and performing its obligations hereunder and subject to all the terms and conditions of this Sublease shall peacefully and quietly have, hold and enjoy the Premises throughout the term of this Sublease, or until this Sublease is earlier terminated as provided by this Sublease and/or the Master Lease.

12. CASUALTY AND TAKING

If during the term of this Sublease, (1) the Premises or any substantial part thereof are damaged by fire or other casualty or (2) the Premises or any portion thereof is taken by eminent domain or by action in lieu thereof, Sublessee's rights and obligations with respect to repair, reconstruction, termination, abatement and use of insurance proceeds shall be subject to the rights and obligations under the Master Lease. To the extent the provisions of the Master Lease pertaining to casualty or eminent domain do not conflict with the provisions below, then the following provisions shall as between Sublessor and Sublessee, apply:

12.1 Casualty Damage.

12.1.1 Sublessee's Rights/Insurance Deductible. If (1) during the term of this Sublease, the Premises, the Building and/or the Property, or any substantial part thereof, are damaged by fire or other casualty such that Sublessee's use of the Premises is impaired and (2) the damage (i) is not caused by the negligence or willful misconduct of Sublessee and/or Sublessee's employees, agents or contractors and/or (ii) does not otherwise arise out of Sublessee's use of the Premises, then this Sublease shall terminate as to the entire Premises at Sublessee's election by written notice given within 45 days after the casualty has occurred. If Sublessee does not elect to terminate this Sublease as hereinabove provided (or if Sublessee does not have the right to terminate this Sublease because the damage (1) was caused by negligence or willful misconduct of Sublessee or Sublessee's employees, agents or contractors or (2) otherwise arose from Sublessee's use of the Premises), then Sublessee shall repair and restore the Premises and/or the Building and the Property as nearly as reasonably possible to the condition existing before the casualty; provided, however, if (i) the Premises is damaged as a consequence of Sublessor's negligent or willful misconduct and (ii) the insurance policy maintained by sublessee does not provide coverage for the damage and/or the insurance proceeds are insufficient to pay the cost of repair, then the cost of repair and restoration which exceed the available insurance proceeds shall be paid by Sublessor immediately at such time(s) during the course of the repair and restoration that payments become due to contractors and material suppliers. Sublessee shall be responsible for payment of any "deductible" amount under any liability, fire and/or casualty policies of insurance.

12.1.2 Abatement. If Sublessee does not terminate this Sublease as hereinabove provided, this Sublease shall continue in full force and effect, except that Base Monthly Rent and other charges due hereunder shall abate to the extent (1) Sublessee's use of the

Premises is impaired for any period that any portion of the Premises is unusable or inaccessible because of a casualty hereinabove described and (2) there exist proceeds of rental loss insurance payable to Sublessor under the insurance policy maintained by Sublessee.

12.2 Eminent Domain

12.2.1 Sublessee's Rights Upon Condemnation. If, during the term of this Sublease, the Premises and/or the Building, or any substantial part thereof, are taken by eminent domain or by reason of any public improvement or condemnation proceeding, or in any manner by exercise of the right of eminent domain including any transfer in avoidance of an exercise of the power of eminent domain, this Sublease shall terminate as to the entire Premises at Sublessee's election by written notice given within 60 days after the damage or taking has occurred. If Sublessee does not elect to terminate this Sublease as hereinabove provided, Sublessee shall repair and restore the Premises and/or the Building as nearly as reasonably possible to the condition existing before the taking.

12.2.2 Sublease to Remain in Effect. If Sublessee does not terminate this Sublease as hereinabove provided, this sublease shall continue in full force and effect, except that Base Monthly Rent shall abate to the extent Sublessee's use of the Premises is impaired for any period that any portion of the Premises is unusable or inaccessible because of a taking hereinabove described. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either part to petition the Superior Court to terminate this Sublease in the event of a partial condemnation of the Premises.

12.2.3 Reservation of Compensation. Sublessor reserves, and Sublessee waives and assigns to Sublessor, all rights to any award or compensation for damage to the Premises, Building, Property and the leasehold estate created hereby, occurring by reason of any taking in any condemnation or eminent domain proceeding or anything lawfully done by public authority; however, Sublessee shall be entitled to any compensation or damages paid for (1) Sublessee's moving expenses, trade fixtures, equipment (2) the purchase price paid by Sublessee for the Building and the cost of any leasehold improvements in the Premises, but only to the extent of the then remaining unamortized value of such improvements computed on a straight line basis over the term of this Sublease; and (3) estimated costs to repair the Premises and/or the Building to the extent used by Sublessee to accomplish such repairs. Sublessee will deliver such further assignments of the foregoing as Sublessor may from time to time request.

13. DEFAULT

13.1 Events of Default. The occurrence of any of the following shall constitute an event of default on the part of Sublessee:

13.1.1 Abandonment. Abandonment of the Premises by Sublessee;

13.1.2 Nonpayment. Failure to pay any amount payable to Sublessor hereunder when due;

13.1.3 Other Obligations. Failure to perform any obligation, agreement, or covenant under this Sublease other than those matter specified in subsection (13.1.2) of this

Section, such failure continuing for 30 days after written notice of such failure. If it is not possible to cure such default within 30 days, Sublessee shall commence cure within said 30 day period and shall proceed diligently to complete cure. The 30 day written notice described above shall be served in accordance with California Code of Civil Procedure Section 1162 and shall be the same notice and in lieu of any other required by California Code of Civil Procedure Section 1161;

13.1.4 Intentionally Deleted.

13.1.5 General Assignment. A general assignment by Sublessee for the benefit of creditors;

13.1.6 Bankruptcy. The filing of any voluntary petition in bankruptcy by Sublessee, or the filing of an involuntary petition by Sublessee's creditors, which involuntary petition remains undischarged for a period of 30 days. If under applicable law the trustee in bankruptcy or Sublessee has the right to affirm this Sublease and continue to perform the obligations of Sublessee hereunder, such trustee or Sublessee shall (notwithstanding any time period as may be permitted by the bankruptcy court having jurisdiction) within 30 days after the filing of the petition in bankruptcy, cure all defaults, of Sublessee hereunder outstanding as of the date of the affirmance of this Sublease and provide to Sublessor such adequate assurances as may be necessary to ensure Sublessor of the continued performance of Sublessee's obligations under this Sublease. Specifically, but without limiting the generality of the foregoing, such adequate assurances must include assurances that the Premises continue to be operated only for the use permitted hereunder. The provisions hereof are to assure that the basic understandings between Sublessor and Sublessee with respect to Sublessee's use of the Premises and the benefits to Sublessor therefrom are preserved, consistent with the purpose and intent of applicable bankruptcy laws;

13.1.7 Receivership. The employment of a receiver appointed by court order to take possession of substantially all of Sublessee's assets or the Premises, if such receivership remains undissolved for a period of 30 days;

13.1.8 Attachment. The attachment, execution or other judicial seizure of all or substantially all of Sublessee's assets of the Premises, if such attachment or other seizure remains undismissed or undischarged for a period of 30 days after the levy thereof;

13.1.9 Insolvency. The admission by Sublessee in writing of its inability to pay its debts as they become due, the filing by Sublessee of a petition seeking any reorganization arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Sublessee or an answer admitting or failing timely to contest a material allegation of a petition filed against Sublessee in any such proceeding or, if within 30 days after the commencement of any proceeding against Sublessee seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed;

13.1.10 Falsity of Sublessee's Financial Statement. The discovery by Sublessor that any financial statement given to Sublessor by Sublessee, any assignee of Sublessee, any subtenant of Sublessee, any successor interest of Sublessee or any guarantor of Sublessee's obligations hereunder, and any of them, was materially false.

13.2 Remedies. In the event of any such event of default or other breach by Sublessee, Sublessor may at any time thereafter, with or without notice of demand and without limiting Sublessor in the exercise of any right or remedy which Sublessor may have by reason of such default or breach:

13.2.1 Termination: Damages. Terminate Sublessee's right to possession of the Premises by any lawful means, in which case this Sublease shall terminate and Sublessee shall immediately surrender possession of the Premises to Sublessor. In such event, Sublessor shall be entitled to recover from Sublessee all damages incurred by Sublessor by reason of Sublessee's default, including, but not limited to: (i) the cost of recovering possession of the Premises; (ii) expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and any real estate commission actually paid; (iii) the worth at the time of award by the court of the unpaid rent which has been earned at the time of termination; (iv) the worth at the time of award (by the court) of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; (v) the worth at the time of award of the amount by which the unpaid rent for the balance of the term of this Sublease after the time of awards exceeds the amount of such rental loss that Sublessee proves could be reasonably avoided; and (vi) any other amount necessary to compensate Sublessor for all detriment proximately caused by Sublessee's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (iii) and (iv) will be computed by allowing interest at the rate of 10% per annum commencing on the first day a breach occurs. The "worth at the time award" of the amount referred to in clause (v) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

13.2.2 Continuation of Sublease. Maintain Sublessee's right to possession in which case this Sublease shall continue in effect whether or not Sublessee shall have abandoned the Premises. In such event, Sublessor shall be entitled to enforce all of Sublessor's rights and remedies under this Sublease, including the right to recover the rent as it becomes due hereunder. Sublessor has the remedy described in California Civil Code Section 1951.4 (Sublessor may continue the Sublease in effect after Sublessee's breach and abandonment and recover rent as it becomes due, if Sublessee has the right to sublet or assign, subject only to reasonable limitations).

13.2.3 Other Remedies. Pursue any other legal or equitable rights or remedies Sublessor may have for Sublessee's breach of this Sublease; the remedies provided in this Section are not exclusive but supplemental to any such other legal or equitable rights and remedies.

14. ESTOPPEL CERTIFICATES

Sublessee shall at any time and from time to time within 10 days after written request of Sublessor, execute, acknowledge and deliver to Sublessor a certificate in writing stating: (i) that this Sublease is unmodified and in full force and effect, or if there have been any modifications, that this Sublease is in full force and effect as modified and stating the date and the nature of each modification; (ii) the date to which rental and all other sums payable hereunder have been paid; (iii) that Sublessor is not in default in the performance of any of its obligations under this Sublease, that Sublessee has given no notice of default to Sublessor and that no event has occurred which, but for the expiration of the applicable time period, would constitute an event of default hereunder; and (iv) such other matters as may reasonably be requested by Sublessor or Sublessee, any institutional lender, mortgagee, ground lessor, sale/leaseback lessor or prospective purchaser of the Property. Any such certificate provided under this Section may be relied upon by any lender, mortgagee and assignees and successors in interest to Sublessor or Sublessee, by any prospective purchaser and by any purchaser on foreclosure or sale, or upon any grant of a deed in lieu of foreclosure of any mortgage or deed of trust on the Property or Premises, or by any third party.

15. SECURITY

15.1 Deposit. Concurrently with Sublessee's execution of this Sublease and in addition to any advance payment of base rent, Sublessee shall deposit with Lessor the Security Deposit. The Security Deposit shall be held by Sublessor as security for the faithful performance of all of the terms, covenants, and conditions of this Sublease to be kept and performed by Sublessee during the term hereof. If Sublessee defaults with respect to any provisions of this Sublease, including, without limitation, the provisions relating to the payment of rental and other sums due hereunder, Sublessor shall have the right, but shall not be required, to use, apply or retain all or any part of the Security Deposit for the payment of rental or any other amount which Sublessor may spend or become obligated to spend by reason of Sublessee's default or to compensate Sublessor for any other loss or damage which Sublessor may suffer by reason of Sublessee's default. If any portion of the Security Deposit is so used or applied, Sublessee shall, within 10 days after written demand therefor, deposit cash with Sublessor in an amount sufficient to restore the Security Deposit to its original amount and Sublessee's failure to do so shall be a material breach of this Sublease. ~~Sublessor shall not be required to keep the Security Deposit~~ separate from its general funds, and Sublessee shall not be entitled to interest thereon. If Sublessee shall fully and faithfully perform every provision of this sublease to be performed by it, the Security Deposit, or any balance thereof, shall, prior to the expiration of the period prescribed by law, be returned to Sublessee, or, at Sublessor's option, to the last assignee of Sublessee's interest hereunder, at the expiration of the term of this Sublease and after Sublessee, and all persons who may claim a right of possession through Sublessee, have vacated the Premises. In the event of termination of Sublessor's interest in this sublease, Sublessor shall transfer the Security Deposit to Sublessor's successor in interest, whereupon Sublessee agrees to release Sublessor from all liability for the return of such deposit or the accounting thereof. The Security Deposit shall not be applied to reduce any so-called administrative claim that Sublessor may acquire under Title 11 of the United States Code.

16. HAZARDOUS MATERIALS

16.1 Sublessor's Warranty and Indemnity. Sublessor represents and warrants that, to the best of Sublessor's knowledge without having conducted any inquiry other than the review of the Phase 1 environmental assessment report, (1) the handling, transportation, storage, treatment, use and disposal of Hazardous Materials that have occurred on the Premises prior to the Hazardous Materials Effective Date (defined below) have been in compliance with applicable federal, state and local laws, regulations and ordinances and (2) there has been no leak, spill, release, discharge, emission or disposal of Hazardous Materials on the Premises prior to the Hazardous Materials Effective Date. Sublessor shall defend, indemnify and hold harmless Sublessee and, its officers, directors, agents, partners, shareholders, and successors from any and all claims, damages, fines and liability arising out of or relating to the presence or release of Hazardous Materials on the Premises caused by (1) any cause whatsoever if such release occurred prior to the Hazardous Materials Effective Date and/or (2) Sublessor and/or Sublessor's agents, employees, servants or contractors if such release occurs or has occurred after the Hazardous Materials Effective Date. As used herein, the term "**Hazardous Materials Effective Date**" shall mean the earlier of (1) the date of execution and delivery of this Sublease if Sublessee has not previously occupied all or any portion of the Premises prior to the execution and delivery of this Sublease or (2) the date Sublessee first commenced to occupy the Premises or any portion thereof pursuant to a prior lease or occupancy agreement.

16.2 Sublessee's Warranty and Indemnity. Sublessee shall handle, store, transport and dispose of Hazardous Materials in and about the Premises in strict compliance with all applicable federal, state and local laws, regulations and ordinances including, but not limited to, California Hazardous Waste Control Act (Health & Safety Code Section 25100, *et seq.*), California Underground Storage of Hazardous Substances Act (Health & Safety Code Section 25280, *et seq.*), California Hazardous Substances Account Act (Health & Safety Code Section 25300, *et seq.*), California Porter-Colonge Water Quality Control Act (Water Code Section 13000, *et seq.*), Comprehensive Environmental Response, Compensation and Liability Act (41 U.S.C. Section 9601, *et seq.*) and Resource Conservation and Recovery Act (42 U.S.C. Section 6901, *et seq.*). Any Hazardous Materials which are or have been brought onto the Premises by or at the direction of Sublessee and/or arise out of the occupancy and use of the Premises by Sublessee shall be the responsibility of Sublessee and Sublessee shall be liable and responsible for all costs, fees, and charges related thereto, including, but not limited to (1) removal from the Premises of any such Hazardous Materials, (2) damages to persons and property (including the Premises and all improvements located thereon), (3) fines and charges imposed by any governmental agency and (4) any other liability imposed by law. To the best of Sublessor's current actual knowledge, there are currently no storage tanks on or under the Premises. If underground storage tanks for storing Hazardous Materials are, with Sublessor's consent as provided herein, hereinafter placed on the Premises, Sublessee shall monitor the underground storage tanks, maintain appropriate records, implement reporting procedures and, if requested by Sublessor, remove the tanks and obtain appropriate evidence of closure, all at Sublessee's sole cost and expense. Sublessee shall defend, indemnify and hold harmless Sublessor and Sublessor's officers, directors, agents, partners, shareholders and successors from any and all claims, damages, fines and liabilities arising out of or relating to any breach by Sublessee of Sublessee's obligations under this paragraph.

16.3 Definition. As used herein, the term "**Hazardous Materials**" shall include (1) "**hazardous substance**" as defined in the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, *et seq.*), as amended, or any successor statute, (2) "**hazardous material**" as defined in the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, *et seq.*), as amended, or any successor statute, (3) "**hazardous waste,**" "**solid waste,**" "**sludge,**" "**used oil,**" "**recycled oil,**" "**lubricating oil,**" and "**re-refined oil**" as defined in the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, *et seq.*), as amended, or any successor statute, (4) "**hazardous substance**" as defined in Clean Water Act (33 U.S.C. Section 1251, *et seq.*), as amended, or any successor statute and (5) any substances, materials or wastes listed in (i) the United States Department of Transportation Hazardous Materials Table (49 C.F.R. Section 172.101), as amended, (ii) the Environmental Protection Agency List (40 C.F.R. Part 302), as amended, (iii) the Administrative Code, as amended, or (iv) any other list published by a federal or state governmental entity now or in the future.

16.4 Survival. The provisions of this Section of this Sublease shall survive the expiration or earlier termination of this Sublease.

17. MISCELLANEOUS

17.1 Notices. All notices, consents, waivers, payments or other communications which this Sublease requires or permits either party to give to the other shall be in writing and shall be deemed given when delivered personally or forwarded by registered or certified mail, postage prepaid, to the parties at their respective addresses as follows:

To Sublessor: Coast Aircraft Sales, Inc.
 8620 Gibbs Drive
 San Diego, CA 92123-1794

To Sublessee: Carlsbad Air Service, Inc.

or to such other address as may be contained in a notice from either party to the other given pursuant to this Section. Rental payments and other sums required by this Sublease to be paid by Sublessee shall be delivered to Sublessor at Sublessor's address provided in this Section, or to such other address as Sublessor may from time to time specify in writing to Sublessee.

17.2 Successors and Assigns. The obligations of this Sublease shall run with the land, and this Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the original Sublessor named herein and each successive Sublessor under this Sublease shall be liable only for obligations accruing during the period of its ownership of the leasehold estate created by this Sublease, said liability terminating upon termination of such ownership and passing to the successor lessor.

17.3 No Waiver. The failure of Sublessor to seek redress for violation, or to insist upon the strict performance of any covenant or condition of this Sublease shall not be deemed a waiver of such violation, or prevent a subsequent act which would originally have constituted a

violation from having all the force and effect of an original violation. The receipt by Sublessor of rent or any other payment from sublessee with knowledge of the breach of any term, covenant, condition or other provision of this Sublease shall not be deemed to be a waiver of such breach.

17.4 Severability. If any provision of this Sublease or the application thereof is held to be invalid or unenforceable, the remainder of this Sublease or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each of the provisions of this Sublease shall be valid and enforceable, unless enforcement of this Sublease as so invalidated would be unreasonable or grossly inequitable under all the circumstances or would materially frustrate the purpose of this Sublease.

17.5 Bankruptcy Litigation. Sublessor shall be entitled to recover all attorneys' fees incurred in connection with any hearing or motion for assumption or rejection of this Sublease under Title 11 of United States Code.

17.6 Surrender. A voluntary or other surrender of this Sublease by sublessee, or a mutual termination thereof between Sublessor and Sublessee shall not result in a merger but shall, at the option of Sublessor, operate either as an assignment to the Sublessor of any and all existing subleases and subtenancies, or a termination of all or any existing subleases and subtenancies. This provisions shall be contained in any and all assignments or subleases made pursuant to this Sublease.

17.7 Construction. The provisions of this Sublease shall be construed as a whole according to their common meaning and not strictly for or against Sublessor or Sublessee. The captions preceding the text of each section and subsection hereof are included only for convenience of reference and shall be disregarded in the construction or interpretation of this Sublease.

17.8 Entire Agreement. This written Sublease, together with the exhibits hereto, contains all the representations and the entire understandings between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Sublease, and the exhibits hereto. The Sublease may be modified only by an agreement in writing signed by each of the parties.

17.9 Governing Law/Venue. This Sublease and all exhibits hereto shall be construed and interpreted in accordance with and be governed by all the provisions of the laws of the State of California. The venue for any action brought by any party to this Sublease against another party to this Sublease shall be in San Diego City, California, unless all of the defendants in such action otherwise agree in writing.

17.10 No Partnership. Nothing contained in this Sublease shall be construed as creating any type or manner of partnership, joint venture or joint enterprise with or between Sublessor or Sublessee.

17.11 Costs. In the event Sublessee shall request the consent of Sublessor under any provision of this Sublease for any act that Sublessee proposes to do hereunder, including, without limitation, assignment or subletting of Premises, Sublessee shall, as a condition to doing any

such act and the receipt of such consent, reimburse Sublessor promptly for any and all reasonable costs and expenses incurred by Sublessor in connection therewith, including, without limitation, reasonable attorneys' fees.

17.12 Time. Time is of the essence of this Sublease, and of every, term and condition hereof.

17.13 Rules and Regulations. Sublessee shall observe and obey such rules and regulations as Sublessor may promulgate from time to time for the safety, care, cleanliness, order and use of the Premises and the Building.

17.14 Brokers. Each party (i) warrants to the other that the warranting party has incurred no brokerage or other commission, by reason of entering into this Sublease or otherwise, for which the other party would be responsible and (ii) agrees to indemnify and hold harmless the other party against any liability or cost (including attorneys' fees) arising out of any claim for brokerage commission in connection with prior negotiations or other dealings by such warranting party with any broker or broker's agent.

17.15 Memorandum of Sublease. At any time during the term of this Sublease, either party, at its sole expense, shall be entitled to record a memorandum of this Sublease and, if either party so elects, both parties agree to cooperate in the preparation, execution, acknowledgment and recordation of such document in reasonable form.

17.16 Authority. If Sublessee is a corporation, trust, limited liability company, or general or limited partnership, each individual executing this Sublease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Sublease on behalf of said entity. If Sublessee is a corporation, trust or partnership, Sublessee shall, within 30 days after execution of this Sublease, deliver to Sublessor evidence of such authority satisfactory to Sublessor.

18. SPECIAL PROVISIONS REQUIRED BY CITY

The following provisions are included in this Sublease pursuant to City requirements and all of these provisions may be enforced by Sublessor or City.

18.1 Indemnity. City shall not be liable for, and Sublessee shall defend and indemnify City and the employees and agents of City (collectively "**City Parties**"), against any and all claims, demands, liability, judgments, awards, fines, mechanics' liens or other liens, labor disputes, losses, damages, expenses, charges or costs of any kind or character, including attorneys' fees and court costs (hereinafter collectively referred to as "**Claims**"), related to this Sublease or Sublessee's use or occupancy of the Subleased Premises and arising either directly or indirectly from any act, error, omission or negligence of Sublessee or its Sublessees, licensees, agents, servants or employees, including, without limitation, Claims caused by the concurrent negligent act, error or omission, whether active or passive, of City Parties. Sublessee shall have no obligation, however, to defend or indemnify City Parties from a Claim if it is determined by a court of competent jurisdiction that such Claim was caused by the sole negligence or willful misconduct of City Parties.

18.2 Provisions Constituting Sublease. This Sublease is subject to all of the terms and conditions of the Master Lease. Sublessee shall assume and perform the obligations of Sublessor and Lessee in the Master Lease, to the extent such terms and conditions are applicable to the Premises subleased pursuant to this Sublease. Sublessee shall not commit or permit to be committed on the Premises any act or omission which shall violate any term or condition of the Master Lease. In the event of the termination of Sublessor's interest as Lessee under the Master Lease for any reason, then this Sublease shall terminate coincidentally therewith without any liability of Sublessor or City to Sublessee.

18.3 Federal Aviation Administration Requirement. In the event there is any conflict between the provisions in this Clause and the other provisions in this Sublease, the provisions in this Clause shall take precedence.

18.3.1 Sublessee, for itself, its heirs, representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Sublease for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Sublessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

18.3.2 Sublessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that Sublessee shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of the Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

18.3.3 Sublessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; PROVIDED, THAT Sublessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

18.3.4 Non-compliance with Provision 19.3.3 above shall constitute a material breach thereof and in the event of such non-compliance Sublessor shall have the right to terminate this Sublease and the estate hereby created without liability therefore, or at the election

of Sublessor, City or the United States, any or all said entities shall have the right to judicially enforce said Provisions.

18.3.5 Sublessee agrees that it shall insert the above 4 provisions in any sublease by which said Sublessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises herein subleased.

18.3.6 Sublessee assures that it will undertake no affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall, on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Sublessee assures that no person shall be excluded on those grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Sublessee assures that it will require that its covered suborganizations provide assurances to Sublessee that they similarly will undertake affirmative action programs and that they will require assurance from their suborganizations, as required by 14 CFR Part 142, Subpart E, to the same effort.

18.3.7 City reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Sublessee, and without interference or hindrance.

18.3.8 City reserves the right, but shall not be obligated to Sublessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Sublessee in this regard.

18.3.9 This Sublease shall be subordinate to the provisions and requirements of any existing or future agreement between City and the United States, relative to the development, operation or maintenance of the Airport.

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

18.3.11 Sublessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the subleased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the subleased Premises.

18.3.12 Sublessee by accepting this expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land subleased hereunder that conflicts with Part 77 of the Federal Aviation Regulations. In the event the aforesaid covenants are breached, City and/or Sublessor reserve the right to enter upon the land subleased hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Sublessee.

18.3.13 Sublessee by accepting this Sublease agrees for itself, its successors and assigns that it will not make use of the subleased Premises in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, City and/or Sublessor reserve the right to enter upon the Premises hereby subleased and cause the abatement of such interference at the expense of Sublessee.

18.3.14 It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of any exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).

18.3.15 This Sublease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport or the exclusive or nonexclusive use of the Airport by the United States during the time of war or national emergency.

18.4 Signs. Sublessee shall not erect nor cause to be erected any sign on the subleased Premises without the prior written approval of the City Airports Director. A written request for sign approval must include the size, type, color and location of the proposed sign and said application must be concurred in by Sublessor before submittal to the City Airports Director.

18.5 Substance Abuse. Sublessee and its employees and agents shall not use or knowingly allow the use of the subleased Premises for the purposes of unlawfully driving a motor vehicle or aircraft under the influence of an alcoholic beverage or any drug or for the purpose of unlawfully selling, using, storing, transporting, keeping, manufacturing or giving away alcoholic beverages or any controlled substance, precursor, or analog specified in Division 10 of the California Health and Safety Code, and violation of this prohibition shall be grounds for immediate termination of this Sublease.

18.6 Sublessee's Waiver and Release of Relocation Benefits. In consideration of City's consent to this Sublease, Sublessee hereby waives any and all rights it may now have, or may hereafter obtain, to relocation benefits ("**Relocation Benefits**") under the Federal Uniform Relocation Assistance Act (42 U.S.C. Section 4601, *et seq.*) and/or the California Relocation Assistance Law (California Government Code section 7260, *et seq.*), arising out of the City's assertion or exercise of its contractual rights to terminate the Lease or this Sublease pursuant to its terms, whether or not such rights are contested by Sublessee or any other entity, and releases City from any liability for payment of such Relocation Benefits. Sublessee shall in the future execute any further documentation of the release and waiver provided hereby as City may reasonably require.

18.7 City's Right of Access.

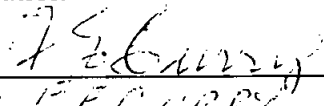
18.7.1 City's Right to Enter the Premises. City, its agents, employees, and contractors may enter the Premises at any time in response to an emergency, and at reasonable hours to (1) inspect the Premises, (2) exhibit the Premises to prospective purchasers or lessees, (3) determine whether Lessee is complying with its obligations under the Master Lease

(including its obligations with respect to compliance with Hazardous Materials Laws), (4) supply cleaning service and any other service that the Master Lease requires City to provide, (5) post notices of nonresponsibility or similar notices, or (6) make repairs that the Master Lease requires City to make, or make repairs to any adjoining space or utility services, or make repairs, alterations, or improvements to any other portion of the Premises; provided, however, that all work will be done as promptly as reasonably possible and so as to cause as little interference to Sublessee as reasonably possible.

18.7.2 Sublessee's Waiver of Damages Claims. Sublessee waives any claim of injury or inconvenience to Sublessee's business, interference with Sublessee's business, loss of occupancy or quiet enjoyment of the Premises, or any other loss occasioned by such entry. If necessary, Sublessee shall provide City with keys to unlock all of the doors in the Premises (excluding Sublessee's vaults, safes, and similar areas designated in writing by Sublessee in advance). City will have the right to use any means that City may deem proper to open doors in the Premises and to the Premises in an emergency. No entry to the Premises by City by any means will be a forcible or unlawful entry into the Premises or a detainer of the Premises or an eviction, actual or constructive, or Sublessee from the Premises, or any part of the Premises, nor will the entry entitle Sublessee to damages or an abatement of rent or other charges that this Sublease requires Sublessee to pay.

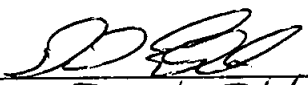
SUBLESSOR:

Coast Aircraft Sales, Inc., a California corporation

By: 
Name: J. E. CURRY
Title: PRES

SUBLESSEE:

Carlsbad Air Service, Inc. a California corporation

By: 
Name: David Edde
Title: President

Schedule of Exhibits

- A. Site Plan Depicting Location
- B. Rules and Regulation

SITE PLAN DEPICTING LOCATION

EXHIBIT A



RULES AND REGULATIONS

The primary purpose of these rules is to maintain an aesthetically pleasing and uniformly appearing Property for the quiet enjoyment of the occupants. The secondary purpose is to provide all desired services to the Property while keeping common costs to a minimum. These rules can be added to, deleted, or amended at any time subject to written notice of any changes. All rules must be reasonable and in the best interest of a majority of the sublessees on the Property. Violation of any rule, which remains uncorrected for 30 days after written notice, constitutes a default in your Sublease.

1. No auto parking in the common areas.
2. Sublessee will use suitable, covered trash receptacles which are screened from public view.
3. The Premises shall be maintained in a neat and sanitary condition and be kept free of unsightly debris.
4. Sublessee will abide by all Montgomery Field rules as published by the City of San Diego.
5. No flammable liquids, other than the aviation fuel normally contained in owner's aircraft, shall be stored on the Premises.
6. Sublessee shall not create nuisance or unreasonably disturb other owners.

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.(LESSEE) which is filed in the Office of the City Clerk as Document 00-18297, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on March 01, 2001 between the above LESSEE (SUBLESSOR) and Scandinavian Aviation Academy, Inc. (SUBLESSEE) for a hangar and tiedowns shown in Exhibit "B" (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 therein. 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

APPROVALS:

THE CITY OF SAN DIEGO

Date: 3-22-01By: Tracy L. Means
Tracy L. Means, AAE
Deputy Director, Airport Division

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 3/19/01By: Debra J. Berkus
Deputy City Attorney

File: coast.sub1

SUBLEASE

This sublease is execute, by and between **Coast Aircraft Sales Inc., a California Corporation**, the Sublessor, whose address is, 8620 Gibbs Drive, San Diego, CA 92123-1794, and **Scandinavian Aviation Academy Inc., a California corporation**, (the "Sublessee") whose main business address is 8665 Gibbs Drive, Suite 110, San Diego, California 92123.

Recitals

The City of San Diego, as Lessor, and Coast Aircraft Sales Inc., as Lessee, executed a lease on June 1, 1996, (the "Master Lease"), and is attached to this sublease as Exhibit "A" and incorporated into this Sublease by this reference.

By the terms of the Master Lease the real property, including that portion being shaded, depicted and described in Exhibit "B" attached to and incorporated into this Sublease was leased to Sublessor, on June 1, 1998, for a term of fifteen years, ending on June 6, 2011, subject to earlier termination as provided in the Master Lease;

Sublessor desires to sublease to Sublessee a portion of the property under the terms of the Master Lease, and the Sublessee desires to lease that property from Sublessor under this sublease, together with five (5) aircraft tie-downs; and

PG. 726

The Lessor under the Master Lease has given its consent to this sublease to the satisfaction of both Sublessor and Sublessee.

THEREFORE, Sublessor and Sublessee agree as follows:

Leasing and Description of the Property

1. It is expressly agreed that the premises are subleased to Sublessee for the purpose of hangering, repairing, maintaining aircraft and Sublease's flight operations. That Sublessee agrees that it will conduct its business in such manner so as not to be in violation of any provision of paragraph 1.2 of the Master Lease.

2. Subject to the terms, conditions, covenants set forth in the Master Lease as modified by this sublease, Sublessor hereby leases to Sublessee, and Sublessee hereby leases from Sublessor, that portion of the property, the hanger, as described in paragraph 1.1 of the Master Lease, together with an additional contiguous five (5) aircraft tie-downs located directly East of the leased hanger. The subleased property consists of approximately eight thousand square feet of hanger, which contains therein an approximate one thousand (1000) square feet of office space and outside landscaping. Exhibit "B" depicts in shaded form the approximate location of the subleased property.

Term

3. This sublease shall commence on March 15, 2001 and shall end on February 28, 2006, unless sooner terminated as provided herein. This sublease, after the initial five year lease period shall renew automatically for an additional five year period or until February 28, 2011, unless a ninety (90) day written Notice of Termination is given by either party to the other. In any event this sublease shall terminate at the expiration of the Master Lease term.

Feb.
06

Rent

4. Rent Amount. The initial monthly rent is Five thousand (\$5000.00) dollars for the first year of the lease. Commencing on March 15, 2002, and each month thereafter for the second year of the lease the rental rate shall be Five thousand Five hundred (\$5,500.00) dollars, until the last month of said year. Thereafter and for the duration of the lease the monthly rental rate, commencing on March 1, 2003, shall be Six thousand (\$6,000.00) dollars. The rent is due on the first of each month. If the rent due date should fall on a Sunday or holiday then the rent is due on the first business day thereafter.

Feb
06

Delinquent Rent

4.1 If Sublessee fails to pay the rent when due, Sublessee will pay, in addition to the unpaid rents, five (5%) percent of the delinquent rent. If the rent is still unpaid at the end of fifteen (15) days, Sublessee shall pay an additional five (5%) percent being a total of ten (10%) percent which is hereby mutually agreed by the parties to be appropriate to compensate Sublessor for loss resulting

from rental delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Notwithstanding the foregoing, in no event shall the charge for late payments of rent be less than twenty-five Dollars (\$25.00).

Security Deposit

4. A security deposit shall be paid to the Sublessor in the sum of Five thousand (\$5,000.00) dollars, on or before the commencement date of this sublease. All or any portion of the principal sum shall be available unconditionally to Sublessor for correcting any default or breach of this sublease by Sublessee, or for payment of expenses incurred by Sublessor as a result of Sublessee failure to faithfully perform all terms, covenants and conditions of the Master lease and this sublease.

(a) Cash. Cash deposits shall be deposited with Sublessor, and Sublessor shall not be liable to Sublessee for any interest thereon. Provided further that any interest earned by Sublessor from such deposit or re-deposit shall be and remain the property of Sublessor.

(b) If said security deposit or any portion thereof shall be used by Sublessor to cure any of the matters described in paragraph 4.2, then in that event Sublessee within seven (7) days of demand will deposit additional funds with Sublessor so as to replenish its surety account to again equal Five (\$5,000.00) Dollars. Failure to do so shall constitute a breach of this agreement, and at Sublessor's option; it may declare this agreement and Sublessee tenancy thereunder terminated.

5. Sublessee shall be responsible for and pay for all its utilities including, but not limited to electricity, water and telephone.

Rules and Regulations

6. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by Lessor under the Master Lease to which it is entitled to, and to the same extent, require of Sublessor, or any other governmental authority having jurisdiction over Montgomery Field, San Diego, California during the term of this sublease.

Hold Harmless and Indemnity

7. Sublessee shall indemnify, defend and hold Sublessor and Master Lease Landlord 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, or for any reason connected with the operation of Sublease's business, 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

8. Sublessee shall procure and maintain comprehensive insurance coverage for the subleased premises in an amount agreed to by the parties. Said policy of insurance shall name Sublessor and Landlord under the Master Lease as additional insurers. Said policy shall be maintained during the term of this sublease. Sublessee shall provide a copy of said policy and renewals or modifications thereafter to Sublessor.

Applicability of Master Lease

9. This sublease is subject to and subordinate to the terms and conditions of the Master Lease as to all matters not specifically addresses and modified herein.

Assumption

10. 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. Sublessee shall also maintain and or if required replace at its sole expense the building's heating/air conditioner, as well as all other building's appliances and fixtures required to be repaired or replaced.

Obligations of Sublessor

11. 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 Sublessor under the Master Lease that Sublessee has not assumed under this sublease. Sublessor covenants that Sublessee shall be entitled to quite enjoyment of the premises, provided that Sublessee complies with the terms of this sublease.

Condition of the Premises

12. Sublessee agrees that Sublease's act of taking possession will be an acknowledgment that the subleased premises are in a tenantable and good condition. Sublessee will, at Sublease's own expense, maintain the subleased premises in a thorough state of repair and in good and safe condition.

12.1 Prior to taking possession of the premises Sublessee shall satisfy itself that the premises are free of any toxic waste, or any problems associated therewith. Sublessor warrants that no such condition presently burdens the premises, and that the premises are presently free of any such toxic waste.

Default

13. The occurrence of any of the following, but not limited thereto, shall constitute a default by Sublessee:

- (a) Using the premises for any unlawful purposes;
- (b) 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;
- (c) Abandonment and vacation of the premises. Failure to occupy the premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.
- (d) 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 given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) days period and diligently pursues performance of the provision, Sublessee shall not be in default.

Non Discrimination

14. Sublessee shall not discriminate against any person or class of people by reason of race, sex, color, creed or national origin in the use of the premises.

Suspension of Term

15. 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 causing the suspension of the Master Lease, then in that event this sublease shall be suspended in like manner.

Notices

16. Except as otherwise specifically provided in this sublease, all notices and demands required in this sublease to be given Sublessor to Sublessee, or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Delivery on any employee of the parties in the office of the respective parties shall be deemed delivery upon the entity party.

Notices and demands shall be addressed to:

Sublessee: 8665 Gibbs Drive, Suite 110 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, return receipt requested.

Subleasing or Assigning as Breach

17. 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 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 the Sublessee guests to occupy the premises or

any part thereof without the prior written consent of Sublessor. To do so is a material breach of this sublease and Sublessor may declare the tenancy terminated. A consent by Sublessor to one or more assignments, one or more subletting, or one or more occupations of the premises by other persons shall not be deemed to be consent to any subsequent assignment, subletting, or occupation of the premises by other persons.

Any voluntary or involuntary 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 on the above grounds Sublessor must give Sublessee thirty days (30) written notice. The consent, voluntary or otherwise, to any assignment of Sublease's interest in this sublease is personal to Sublessor and can be withheld by Sublessor for any reason.

Binding Arbitration of Disputes

18. Any disagreement between the parties with respect to the interpretation or application of this sublease or underlying Master Lease or the obligations of the parties thereunder 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 provisions of the California Code of Civil Procedure relating to arbitration. The parties select End-Dispute of San Diego, California, to act as arbiter. If End-Disputes is unable to act then any arbiter agreed to by the parties. If they are unable to agree then by any arbiter selected to so act, by the then presiding Judge of the San Diego Superior Court. The expense of arbitration shall be borne by the non-prevailing party. Each party shall deposit one half of required arbitration fees with the arbiter to commence arbitration and the non-prevailing party shall reimburse the prevailing party at the conclusion of the arbitration proceedings, this plus any other award, costs or fees awarded by the arbiter. An exception to this term is that Sublessor may, if it so chooses bring an action for Unlawful Detainer in the San Diego Judicial District, upon just cause.

Notice

19. By initialing in the space below you are agreeing to have any dispute arising out of the matter included in the binding "Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up your 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. Each of you have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision.

Initials: FC DGC
Frank Curry Daniel Gayet, President
Coast air Sales Inc. Scandinavian Aviation Academy Inc.

Attorney Fees

20. Should any arbitration or other 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 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 fees in such legal action which shall be determined by the arbiter or court in such legal action by noticed motion.

Binding on Heirs and Successors

21. The covenants conditions contained in this Sublease, subject to the provisions prohibiting assignments, shall inure to and bind the heirs, successors and assigns of the parties.

Time of the Essence

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

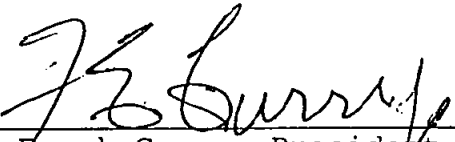
Modifications

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

Executed at San Diego, California.

Sublessor:

Coast Aircraft Sales, a California Corporation.

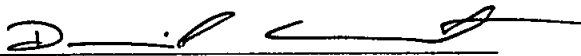
By: 
Frank Curry, President

Date: 3-1 2001

Seal

Sublessee:

Scandinavian Aviation Academy Inc., a California corporation

By: 
Daniel Gayet President

Date: 3/1 2001

Seal:



MONTGOMERY FIELD LEASING PLAN

(COAST AIRCRAFT'S LEASE AREA)

BASIS OF BEARINGS

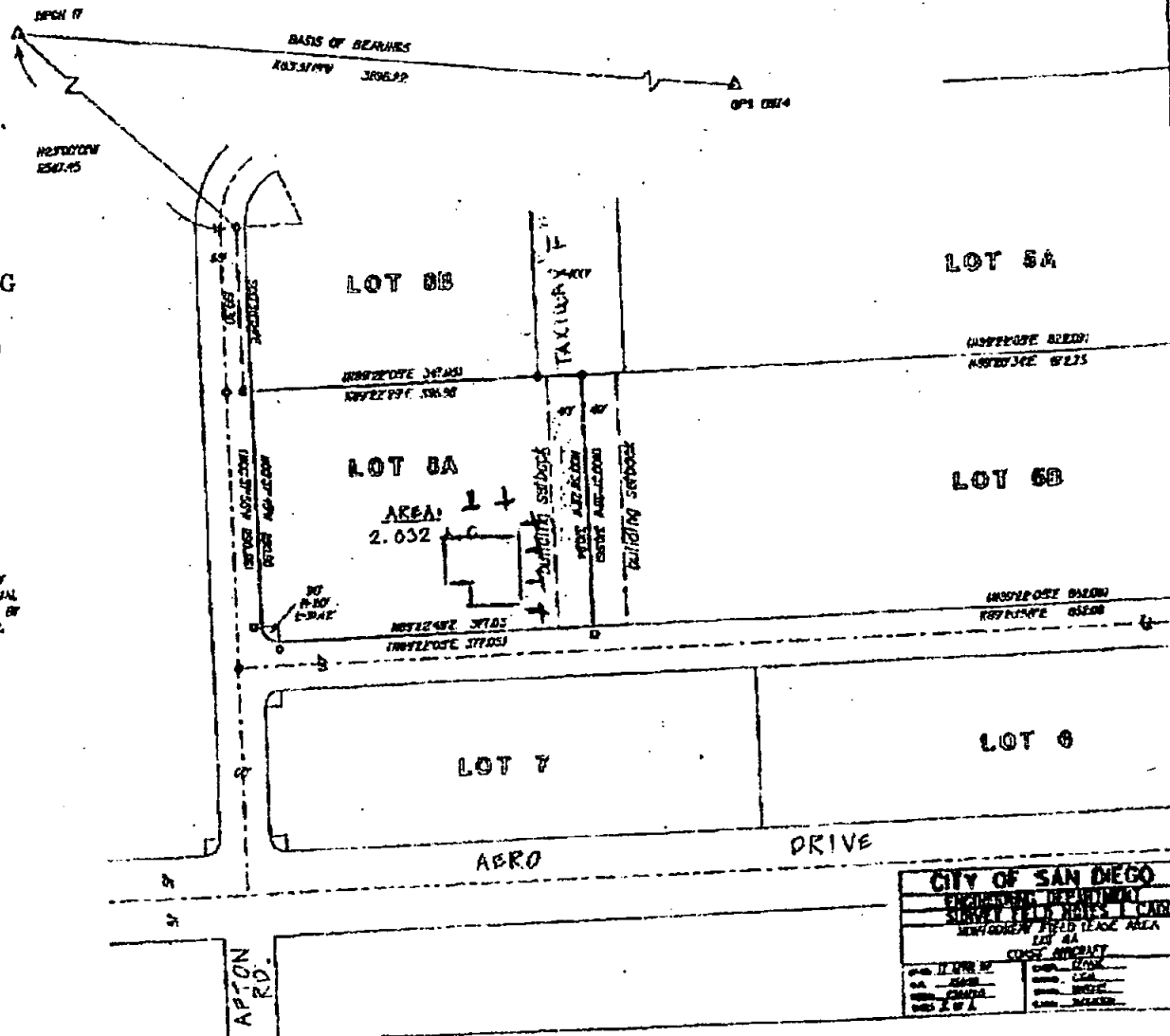
THE BASIS OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA COORDINATE SYSTEM (NAD 83) ONE WAS DETERMINED LOCALLY BY THE LINE BETWEEN CORNER OF SAN DIEGO POWER STATION "A" AND CITY OF SAN DIEGO GPS STATION "SDP4, 16.18 833399" USING GPS PROCEDURES AND CORRELATING TO SAN DIEGO COUNTY HIGHWAY 565 GPS STATION "MONTGOMERY FIELD" AND GPS 23 UTM COORD. EPOCH 84.5, PER CITY OF SAN DIEGO FIELD SURVEY PERFORMED BY R. RODRIGUEZ, OCT. 1994, AND IS LAURENT COORDINATE INDEX 200072, W. 15037.

LEGEND

- () INDICATES RECORD DATA PER CITY DNG 13843-2-1
- () INDICATES POINTS FOUND PER CITY DNG 13843-2-1

REFERENCES

CITY DNG 13843-2-1
FIELD NOTES BY O'NEILL, L. W. S.
NO 11012, LC 114-1725
FIELD NOTES BY HATCH, S. G. W.
NO 11012, LC 114-1725



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

EXHIBIT B

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 AIRNET SYSTEMS, INC. (SUBLESSEE), an Ohio Corporation, doing business in California, for a hangar with office (9,250 sq. ft) and six aircraft tiedowns, 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:

SUBLESSEE shall pay CITY its standard landing fees on all charter operations, throughout the term of this sublease agreement. The Airport Manager, MYF collects these fees by separate agreement.

THE CITY OF SAN DIEGO

Date: 2/11/99

By: [Signature]
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 2/23/99

By: [Signature]
Deputy City Attorney

file: a:coastsubl.

DOCUMENT NO. 00-18297-2
FILED MAR 01 1999
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

Sublease

This sublease is execute, by and between Coast Aircraft Sales Inc., a California Corporation, the Sublessor, whose address is , 8620 Gibbs Drive, San Diego, CA 92123-1794, and AirNet Systems, Inc., a Ohio Corporation doing business in California (the "Sublessee") whose main business address is 3939 International Gateway, Columbus, Ohio 43219.

Recitals

The City of San Diego, as Lessor, and Coast Aircraft Sales Inc.; as Lessee, executed a lease on June 1, 1996, (the "Master Lease"), and is attached to this sublease as Exhibit "A" and incorporated into this Sublease by this reference.

By the terms of the Master Lease the real property, including that portion being shaded, depicted and described in Exhibit "B" attached to and incorporated into this Sublease was leased to Sublessor on June 1, 1998, for a term of fifteen years, ending on June 6, 2011, subject to earlier termination as provided in the Master Lease;

Sublessor desires to sublease to Sublessee a portion of the property under the terms of the Master Lease, and the Sublessee desires to lease that property from Sublessor under this sublease, together with six (6) aircraft tie-downs; and

The Lessor under the Master Lease has given it's consent to this sublease to the satisfaction of both Sublessor and Sublessee.

THEREFORE, Sublessor and Sublessee agree as follows:

Leasing and Description of the Property

1. It is expressly agreed that the premises are subleased to Sublessee for the purpose of hangering, repairing, maintaining aircraft and Sublessee's flight operations. That Sublessee agrees that it will conduct it's business in such manner so as not to be in violation of any provision of paragraph 1.2 of the Master Lease.

2. Subject to the terms, conditions, covenants set forth in the Master Lease as modified by this sublease, Sublessor hereby leases to Sublessee, and Sublessee hereby leases from Sublessor, that portion of the property, the hanger, as described in paragraph 1.1 of the Master Lease, together with an additional contiguous six (6) aircraft tie-downs located

directly East of the leased hanger. The subleased property consists of approximately eight thousand square feet of hanger, which contains therein an approximate one thousand (1000) square feet of office space and outside landscaping. Exhibit "B" depicts in shaded form the approximate location of the subleased property.

*Wp for Land 7.6.6.
March*
Term

3. This sublease shall commence on ~~January~~ 1, 1999 and shall end on January 31, 2004, unless sooner terminated as provided herein. This sublease, after the initial five year lease period shall renew automatically for an additional five year period January 1, 2005, unless a ninety (90) day written Notice of Termination is given by either party to the other. In any event this sublease shall terminate at the expiration of the Master Lease term.

Rent

4. Rent Amount. The initial monthly rent is Five thousand (\$5000.00) dollars. Said rent is subject to annual adjustments based on increases, if any in the Consumer Price Index (CPI) of the subleased premises as hereafter provided:

4.1 CPI Index Adjustment. At the end of the first year following the effective date of the sublease and at every year thereafter during the lease term, the rent shall be adjusted to reflect increases in the Consumer Price Index (CPI).

The index used will be the CPI for "All Urban Consumers" for Los Angeles/Long Beach/ Anaheim, California. If this index is no longer published, the index for adjustment will be the US Department of Labor's "Comprehensive Official Index" most comparable to the aforesaid index. If a rental adjustment is calculated using an index from a different base year than 1982-84, which equaled a base figure of 100 for CPI, the base figure used will first be converted under a formula supplied by the Bureau of Labor Statistics or it's successor.

If the Department of Labor indices is no longer published, another index generally recognized as authoritative will be substituted by agreement of Sublessor and Sublessee. If the parties cannot agree within thirty (30) days after demand by either party, a substitute index will be selected by the Chief Officer of the Regional Office of the Bureau of Labor Statistics or it's successor, notwithstanding continued reference herein to "CPI" in any event.

Regardless of the index publication dates, the effective date of the rent adjustment is as specified in this subsection 4.1 CPI Index Adjustment. Until the rent adjustment can be reasonably determined by the index method,

Sublessee shall continue to make payments at the existing rental rate. When the adjustment is determined, the balance of rents due at the adjusted rate will be paid to Sublessor within thirty (30) days. In no event shall the adjusted rent as established by the Consumer Price Index be less than the rent in existence immediately prior to the adjustment date.

Delinquent Rent

4.2 If Sublessee fails to pay the rent when due, Sublessee will pay, in addition to the unpaid rents, five (5%) percent of the delinquent rent. If the rent is still unpaid at the end of fifteen (15) days, Sublessee shall pay an additional five (5%) percent being a total of ten (10%) percent which is hereby mutually agreed by the parties to be appropriate to compensate Sublessor for loss resulting from rental delinquency, including lost interest, opportunities, legal costs, and the cost of servicing the delinquent account. Notwithstanding the foregoing, in no event shall the charge for late payments of rent be less than twenty-five Dollars (\$25.00).

Security Deposit

4.3 A security deposit shall be paid to the Sublessor in the sum equal to one months rent, on or before the commencement date of this sublease. All or any portion of the principal sum shall be available unconditionally to Sublessor for correcting any default or breach of this sublease by Sublessee, or for payment of expenses incurred by Sublessor as a result of Sublessee failure to faithfully perform all terms, covenants and conditions of the Master lease and this sublease.

(a) Cash. Cash deposits shall be deposited with Sublessor, and Sublessor shall not be liable to Sublessee for any interest thereon. Provided further that any interest earned by Sublessor from such deposit or re-deposit shall be and remain the property of Sublessor.

(b) If said security deposit or any portion thereof shall be used by Sublessor to cure any of the matters described in paragraph 4.3, then in that event Sublessee within seven (7) days of demand will deposit additional funds with Sublessor so as to replenish its surety account to again equal Five (\$5,000.00) Dollars. Failure to do so shall constitute a breach of this agreement, and at Sublessor's option, it may declare this agreement and Sublessee tenancy thereunder terminated.

5. Sublessee shall be responsible for and pay for all it's utilities including, but not limited to electricity, water and telephone.

Rules and Regulations

6. Sublessee agrees to observe and obey all policies, rules and regulations promulgated and enforced by Lessor under the Master Lease to which it is entitled to, and to the same extent, require of Sublessor, or any other governmental authority having jurisdiction over Montgomery Field, San Diego, California during the term of this sublease.

Hold Harmless and Indemnity

7. Sublessee shall indemnify, defend and hold Sublessor and Master Lease Landlord 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, or for any reason connected with the operation of Sublessee's business, 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

8. Sublessee shall procure and maintain comprehensive insurance coverage for the subleased premises in an amount agreed to by the parties. Said policy of insurance shall name Sublessor and Landlord under the Master lease as additional insurers. Said policy shall be maintained during the term of this sublease. Sublessee shall provide a copy of said policy and renewals or modifications thereafter to Sublessor.

Applicability of Master Lease

9. This sublease is subject to and subordinate to the terms and conditions of the Master Lease as to all matters not specifically addresses and modified herein.

Assumption

10. 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 shall be considered performed by Sublessee to the extent and in the amount paid by Sublessee to Sublessor as provided above in this sublease only. Sublessee also agrees to maintain at it's expense in good working order, or if required to replace, specific equipment such as, but not limited to, the air compressor belonging to Sublessor but to be used by Sublessee with Sublessor's consent. Sublessee shall also maintain and or if required replace at its sole expense the building's air conditioner, as well as all other building's appliances and fixtures required to be repaired or

replaced. Sublessee shall also maintain the small landscaping area affixed to the south side of the hanger.

Obligations of Sublessor

11. 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 Sublessor under the Master Lease that Sublessee has not assumed under this sublease. Sublessor covenants that Sublessee shall be entitled to quiet enjoyment of the premises, provided that Sublessee complies with the terms of this sublease.

Condition of the Premises

12. Sublessee agrees that Sublessee's act of taking possession will be an acknowledgment that the subleased premises are in a tenantable and good condition. Sublessee will, at Sublessee's own expense, maintain the subleased premises in a thorough state of repair and in good and safe condition.

Default

13. The occurrence of any of the following, but not limited thereto, shall constitute a default by Sublessee:
- (a) Using the premises for any unlawful purposes;
 - (b) 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;
 - (c) Abandonment and vacation of the premises. Failure to occupy the premises for thirty (30) consecutive days shall be deemed an abandonment and vacation.
 - (d) 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 given to Sublessee. If such provision cannot reasonably be performed within such thirty (30) days period and diligently pursues performance of the provision, Sublessee shall not be in default.

Non Discrimination

14. Sublessee shall not discriminate against any person or class of people by reason of race, sex, color, creed or national origin in the use of the premises.

Suspension of Term

15. 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 causing the suspension of the Master Lease, then in that event this sublease shall be suspended in like manner.

Notices

16. Except as otherwise specifically provided in this sublease, all notices and demands required in this sublease to be given Sublessor to Sublessee, or by Sublessee to Sublessor shall be in writing and delivered in person or certified mail, return receipt requested. Delivery on any employee of the parties in the office of the respective parties shall be deemed delivery upon the entity party.

Notices and demands shall be addressed to:

Sublessee:., 8624 Gibbs Drive, 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, return receipt requested.

Subleasing or Assigning as Breach

17. 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 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 the Sublessee, to occupy the premises or any part thereof without the prior written consent of Sublessor. To do so is a material breach of this sublease and Sublessor may declare the tenancy terminated. A consent by Sublessor to one or more assignments, one or more subletting, or one or more occupations of the premises by other persons shall not be deemed to be consent to any subsequent assignment, subletting, or occupation of the premises by other persons.

Any voluntary or involuntary 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 on the above grounds Sublessor must give Sublessee thirty days (30)

written notice. The consent, voluntary or otherwise, to any assignment of Sublessee's interest in this sublease is personal to Sublessor and can be withheld by Sublessor for any reason.

Binding Arbitration of Disputes

18. Any disagreement between the parties with respect to the interpretation or application of this sublease or underlying Master Lease or the obligations of the parties thereunder 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 provisions of the California Code of Civil Procedure relating to arbitration. The parties select End-Dispute of San Diego, California, to act as arbiter. If End-Disputes is unable to act then any arbiter agreed to by the parties. If they are unable to agree, then by any arbiter selected to so act, by the then presiding Judge of the San Diego Superior Court. The expense of arbitration shall be borne by the non prevailing party. Each party shall deposit one half of required arbitration fees with the arbiter to commence arbitration and the non prevailing party shall reimburse the prevailing party at the conclusion of the arbitration proceedings, this plus any other award, costs or fees awarded by the arbiter. An exception to this term, is that Sublessor may, if it so chooses bring an action for Unlawful Detainer in the San Diego Judicial District, upon just cause.

Notice

19. By initialing in the space below you are agreeing to have any dispute arising out of the matter included in the binding "Arbitration of Disputes" provision decided by neutral arbitration as provided by California law and you are giving up your 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. Each of you have read and understand the foregoing and agree to submit disputes arising out of the matters included in the "Binding Arbitration of Disputes" provision.

Intials: _____
Frank Curry
Coast air Sales Inc.

William Sumser
AirNet Systems, Inc.

Attorney Fees

20. Should any arbitration or other 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 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 fees in such legal action which shall be determined by the arbiter or court in such legal action by noticed motion.

Binding on Heirs and Successors

21. The covenants conditions contained in this Sublease, subject to the provisions prohibiting assignments, shall inure to and bind the heirs, successors and assigns of the parties.

Time of the Essence

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

Modifications

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

[illegible]

Executed at San Diego, California.

Sublessor:

Coast Aircraft Sales, a California Corporation

By: Frank Curry

Frank Curry, President

Date: 11-13- 1998

Seal

Sublessee:

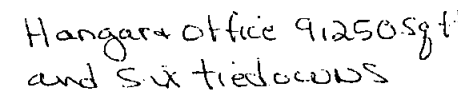
AirNet Systems, Inc., a Ohio Corporation

By: William Sumser

William Sumser, Vice President

Date: 11-9 1998

Seal:



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 Williams
Airports Deputy Director

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 3-13-98

By: Casey G. Gwinn
Deputy City Attorney

file: a:air&coast

DOCUMENT NO. 00-18297-1

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

RECEIVED ^{PR}
CITY CLERK'S OFFICE
98 APR -2 PM 2:51
SAN DIEGO, CALIF.

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:

FC
Frank Curry

GC
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.

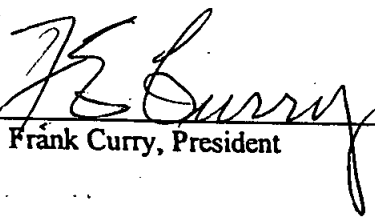
21. **Binding on Heirs and Successors.** The covenants and conditions contained in this Sublease, subject to the provisions prohibiting assignment, shall inure to and bind the heirs, successor and assigns of the parties.
22. **Time of Essence.** Time is expressly declared to be of the essence of this 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

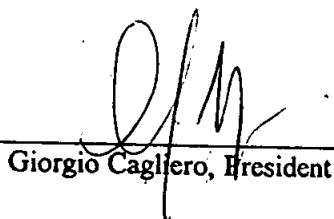
by:


Frank Curry, President

Sublessee:

Air 88, Inc. dba Crownair, a California corporation

by:


Giorgio Cagliero, President



MONTGOMERY FIELD LEASING PLAN

(COAST AIRCRAFT'S LEASE AREA)

BASIS OF BEARINGS

THE BASIS OF BEARINGS FOR THIS SURVEY IS THE CALIFORNIA COORDINATE SYSTEM IN AD 83 ZONE 6 AS DETERMINED LOCALLY BY THE LINE BETWEEN COUNTY OF SAN DIEGO HIGHWAY STATION 11 AND CITY OF SAN DIEGO GPS STATION 10874, I.E. N 83°31'19" W USING GPS PROCEDURES AND CONSTRAINING TO SAN DIEGO COUNTY HIGHWAY POINTS, GPS 11 (MONTGOMERY FIELD) AND GPS 23 (POINT LOMA) EPOCH 94.33, PER CITY OF SAN DIEGO FIELD SURVEY PERFORMED BY R. DODDS, OCT. 1, 1993, NAD 83 LAMBERT COORDINATE INDEX 209-1722, N.D. 119697.

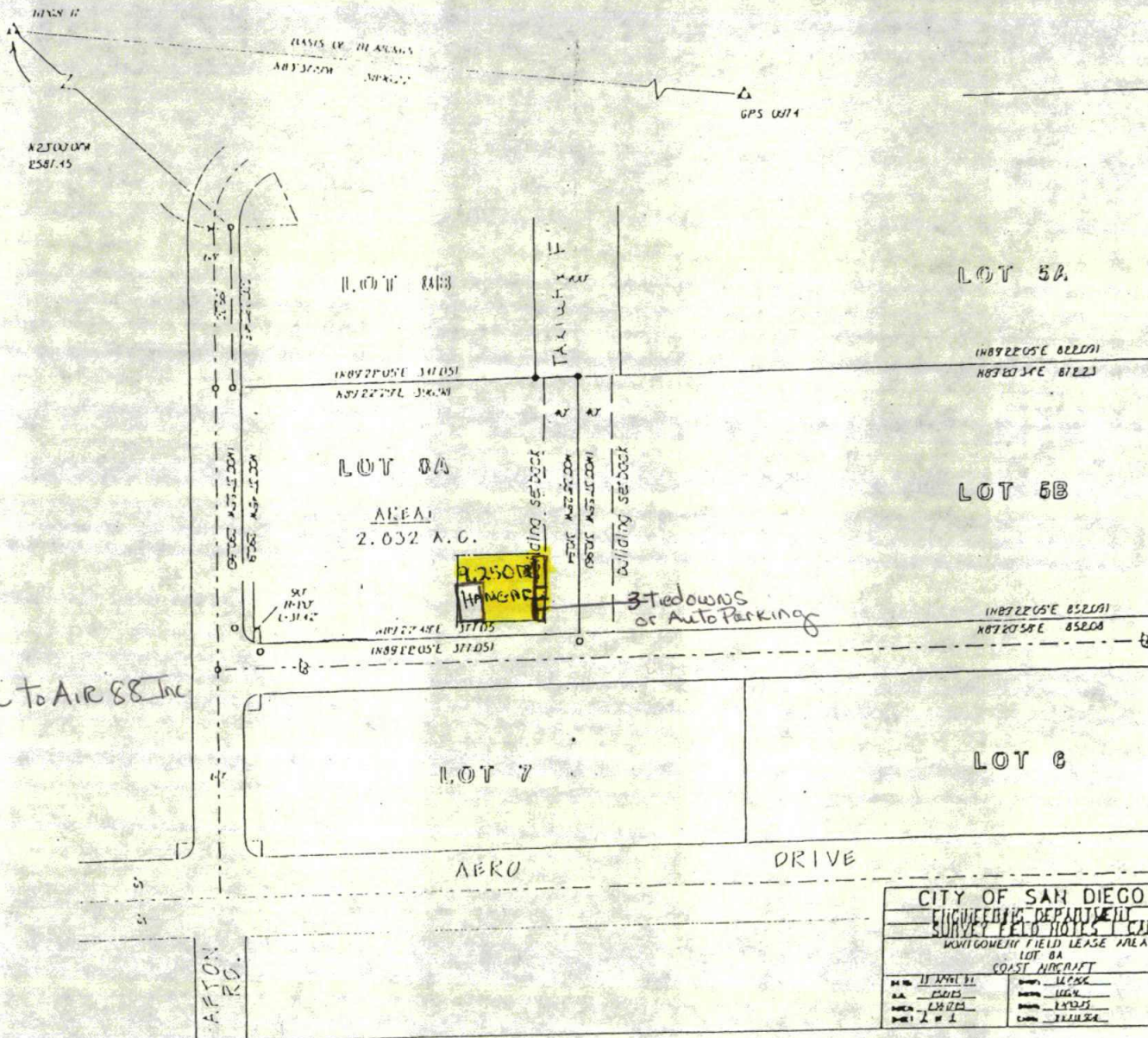
LEGEND

- () INDICATES RECORD DATA PER CITY DWG 13246-2-D
- o INDICATES POINTS FOUND PER CITY DWG 13246-2-D

REFERENCES

CITY DWG. 13246-2-D
FIELD NOTES BY O'NEIL, 1/6/80,
NO 119121, LC 234-1728
FIELD NOTES BY HATCH, 6/6/79,
YO 117722, LC 236-1735

 Sublet Area to Air 88 Inc



**AIRPORT LIABILITY
ADDITIONAL INSURED
CERTIFICATE OF INSURANCE**

Policy Number UA00128262-07 issued by U.S. Specialty Insurance Company of Houston Texas was issued to:

Named
Insured
And
Address

COAST AIRCRAFT; FRANK CURRY DBA
8620 GIBBS DRIVE
SAN DIEGO, CA 92123

This certificate of insurance neither
affirmatively or negatively amends,
extends or alters the coverage afforded
by the Policy described herein

And is in force from 06/28/2008 to 06/28/2009. The insurance afforded by the policy is only with respect to the Coverages for which a limit is shown under the Limits of Liability column.

Airport: MONTGOMERY FIELD

LIMITS OF LIABILITY			COVERAGES
\$	Each Person		A AIRPORT BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$	1,000,000	Each Occurrence	
\$	2,000,000	Aggregate	
\$	Each Person		B PRODUCTS COMPLETED OPERATIONS HAZARD BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$	Each Occurrence		
\$	Aggregate		
\$	100,000	Any One Aircraft	C HANGARKEEPERS LIABILITY
\$	300,000	Each Occurrence	
\$	2,500	Deductible	
\$	Each Person		D MEDICAL PAYMENTS
\$	Each Occurrence		

In the event of cancellation of the above described Policy, the company, if possible, will notify the Certificate Holder, shown below, 30 days prior to such cancellation.

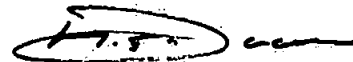
CERTIFICATE ISSUED TO:

CITY OF SAN DIEGO
MONTGOMERY FIELD
1750 JOHN J. MONTGOMERY DRIVE
SAN DIEGO, CA 92123-1769

U.S. SPECIALTY INSURANCE COMPANY

P.O. Box 797408, Dallas, TX 75379-7408

EXECUTED THIS 17th DAY OF Jun, 2008
By



Authorized Representative

The Certificate holder is included as an additional insured but only with respect to liability arising out of the Named Insured's maintenance or use of the airport.

This is a Memorandum of Insurance and not a Policy of Insurance and no action may be brought hereunder. It is furnished only as evidence that the Insurance Policy described herein has been issued by this company.

CERTIFICATE OF INSURANCE

PRODUCER

DATE: June 14, 2006

Falcon Insurance Agency of CA, Inc.
 California License #OB10746
 P.O. Box 1000
 Upland, CA 91785-1000

Larry Gregg
 Phone No. 800-624-8856 Fax No. 909-949-2088

INSURED

Coast Aircraft Sales
 8620 Gibbs Drive
 San Diego, CA 92123

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A **U.S. Specialty Insurance Company**

COMPANY B

COMPANY C

COMPANY D

CO LTR	Type Of Insurance	Policy Number	Policy Effective	Policy Expiration	Limits
	AIRCRAFT LIABILITY				
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage <u>i</u> ncluding Passengers				Each Occurrence
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage Including Passengers With Passenger Liability Limited Internally to \$ 00,000.				Each Passenger Each Occurrence
	Medical Coverage				Each Person Each Occurrence
	AIRCRAFT PHYSICAL DAMAGE				
	All Risks				Amount of Insurance In Motion Deductible Not In Motion Deductible
A	AIRPORT LIABILITY	UA00128262-05	06/28/06	06/28/07	
	Combined Liability Coverage for Bodily Injury and Property Damage <u>EX</u> cluding Products and Completed Operations				Each Occurrence \$1,000,000. Aggregate Limit \$2,000,000. Deductible \$2,500. Each Aircraft \$100,000. Each Occurrence \$300,000.
	Hangarkeepers Liability				
	WORKERS' COMP.				
	Employers' Liability				Each Occurrence

DESCRIPTION OF OPERATIONS/LOCATIONS/AIRCRAFT/SPECIAL ITEMS

Those premises leased to Named Insured at Montgomery Field, CA

Falcon Insurance Agency of California, Inc. has made provision for 30 Day notice (10 Day Notice if for Non-Payment of Premium) to you in the event of cancellation of the above described policies but, except as otherwise stated in this certificate. Falcon Insurance Agency of California, Inc. assumes no legal responsibility for any failure to do so. Falcon Insurance Agency of California, Inc. are not insurers hereunder and they shall not be held liable for any loss or damage. For particulars concerning the limitations, conditions and terms of the coverage you are referred to the original Policy or Policies in the possession of the Assured.

"NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE IS ISSUED. THE INSURANCE AFFORDED BY THE POLICIES LISTED ON THE CERTIFICATE IS SUBJECT TO ALL THE TERMS OF SUCH POLICIES."

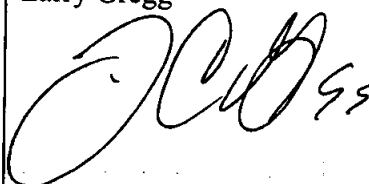
Certificate Holder is included as Additional Insured as respects the operations of the Named Insured.

CERTIFICATE HOLDER

City of San Diego
 Montgomery Field
 1750 John J. Montgomery Drive
 San Diego, CA 92123-1769

AUTHORIZED REPRESENTATIVE

Larry Gregg



**AIRPORT LIABILITY
ADDITIONAL INSURED
CERTIFICATE OF INSURANCE**

Policy Number UA00128262-05 issued by U.S. Specialty Insurance Company of Houston Texas was issued to:

Named
Insured
And
Address

COAST AIRCRAFT; FRANK CURRY DBA
8620 GIBBS DRIVE
SAN DIEGO, CA 92123

This certificate of insurance neither
affirmatively or negatively amends,
extends or alters the coverage afforded
by the Policy described herein

And is in force from 06/28/2006 to 06/28/2007. The insurance afforded by the policy is only with respect to the Coverages for which a limit is shown under the Limits of Liability column.

Airport: MONTGOMERY FIELD

LIMITS OF LIABILITY			COVERAGES
\$	1,000,000	Each Occurrence	A AIRPORT BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$	2,000,000	Aggregate	
\$		Each Person	B PRODUCTS COMPLETED OPERATIONS HAZARD BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$		Each Occurrence	
\$		Aggregate	
\$	100,000	Any One Aircraft	C HANGARKEEPERS LIABILITY
\$	300,000	Each Occurrence	
\$	2,500	Deductible	
\$		Each Person	D MEDICAL PAYMENTS
\$		Each Occurrence	

In the event of cancellation of the above described Policy, the company, if possible, will notify the Certificate Holder, shown below, 30 days prior to such cancellation.

CERTIFICATE ISSUED TO:

CITY OF SAN DIEGO
MONTGOMERY FIELD
3750 JOHN J. MONTGOMERY DRIVE
SAN DIEGO, CA 92123-1769

U.S. SPECIALTY INSURANCE COMPANY

P.O. Box 797408, Dallas, TX 75379-7408

EXECUTED THIS 19th DAY OF Jun, 2006

By



Authorized Representative

The Certificate holder is included as an additional insured but only with respect to liability arising out of the Named Insured's maintenance or use of the airport.

This is a Memorandum of Insurance and not a Policy of Insurance and no action may be brought hereunder. It is furnished only as evidence that the Insurance Policy described herein has been issued by this company.

**AIRPORT LIABILITY
ADDITIONAL INSURED
CERTIFICATE OF INSURANCE**

Policy Number UA00120380-04 Issued by U.S. Specialty Insurance Company of Houston Texas was issued to:

Named
Insured
And
Address

**ADVANCED AIRCRAFT SERVICE; CARLSBAD AIR
SERVICE, INC. DBA
8622 GIBBS DR.
SAN DIEGO, CA 92123**

This certificate of insurance neither
affirmatively or negatively amends,
extends or alters the coverage afforded
by the Policy described herein

And is in force from 01/15/2005 to 01/15/2006. The insurance afforded by the policy is only with respect to
the Coverages for which a limit is shown under the Limits of Liability column.

Airport: MONTGOMERY FIELD

LIMITS OF LIABILITY			COVERAGES
\$ 1,000,000	Each Occurrence		A AIRPORT BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$ 2,000,000	Aggregate		
\$ 100,000	Each Person		B PRODUCTS COMPLETED OPERATIONS HAZARD BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$ 1,000,000	Each Occurrence		
\$ 1,000,000	Aggregate		
\$ 100,000	Any One Aircraft		C HANGARKEEPERS LIABILITY
\$ 100,000	Each Occurrence		
\$ 2,500	Deductible		
\$	Each Person		D MEDICAL PAYMENTS
\$	Each Occurrence		

In the event of cancellation of the above described Policy, the company, if possible, will notify the Certificate Holder, shown
below, 10 days prior to such cancellation.

CERTIFICATE ISSUED TO:

**CITY OF SAN DIEGO
ATTN: CHRIS ANDERSON
3750 JOHN J. MONTGOMERY DR.
SAN DIEGO, CA 92123**

U.S. SPECIALTY INSURANCE COMPANY

P.O. Box 797408, Dallas, TX 75379-7408

EXECUTED THIS 30th DAY OF Nov, 2005

By



Authorized Representative

The Certificate holder is included as an additional insured but only with respect to liability arising out of the Named
Insured's maintenance or use of the airport.

This is a Memorandum of Insurance and not a Policy of Insurance and no action may be brought hereunder. It is furnished
only as evidence that the Insurance Policy described herein has been issued by this company.

USS 20012 AL(01/99)

JOE SUSFOLK INSURANCE AGENCY
Aviation Insurance
16425 HART ST., SUITE 202
VAN NUYS, CA 91406-4640
(818) 989-1112 (800) 83-PLANE
FAX (818) 989-5367

CERTIFICATE OF INSURANCE

DATE: June 18, 2003

PRODUCER

Falcon Insurance Agency of CA, Inc.
California License #OB10746
P.O. Box 1000
Upland, CA 91785-1000

James M. McJoynt
Phone No. 800-624-8856 Fax No. 909-593-2343

INSURED

Coast Aircraft Sales
8620 Gibbs Drive
San Diego, CA 92123

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A **U. S. Specialty Insurance Company**

COMPANY B

COMPANY C

COMPANY D

CO LTR	Type Of Insurance	Policy Number	Policy Effective	Policy Expiration	Limits	
	AIRCRAFT LIABILITY					
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage <u>including</u> Passengers				Each Occurrence	
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage Including Passengers With Passenger Liability Limited Internally to \$ 00,000.				Each Passenger	
	Medical Coverage				Each Occurrence	
					Each Person	
					Each Occurrence	
	AIRCRAFT PHYSICAL DAMAGE					
	All Risks				Amount of Insurance	
					In Motion Deductible	
					Not In Motion Deductible	
A	AIRPORT LIABILITY	UA00128262-02	6/28/03	6/28/04		
	Combined Liability Coverage for Bodily Injury and Property Damage <u>Excluding</u> Products and Completed Operations				Each Occurrence	\$1,000,000.
	Hangarkeepers Liability				Aggregate Limit	\$2,000,000.
					Deductible	\$2,500.
					Each Aircraft	\$100,000.
					Each Occurrence	\$300,000.
	WORKERS' COMP.					
	Employers' Liability				Each Occurrence	

DESCRIPTION OF OPERATIONS/LOCATIONS/AIRCRAFT/SPECIAL ITEMS

Those premises leased to Named Insured at Montgomery Field, San Diego, CA.

Falcon Insurance Agency of California, Inc. has made provision for **30** Day notice (10 Day Notice if for Non-Payment of Premium) to you in the event of cancellation of the above described policies but, except as otherwise stated in this certificate. Falcon Insurance Agency of California, Inc. assumes no legal responsibility for any failure to do so. Falcon Insurance Agency of California, Inc. are not insurers hereunder and they shall not be held liable for any loss or damage. For particulars concerning the limitations, conditions and terms of the coverage you are referred to the original Policy or Policies in the possession of the Assured.

"NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE IS ISSUED. THE INSURANCE AFFORDED BY THE POLICIES LISTED ON THE CERTIFICATE IS SUBJECT TO ALL THE TERMS OF SUCH POLICIES."

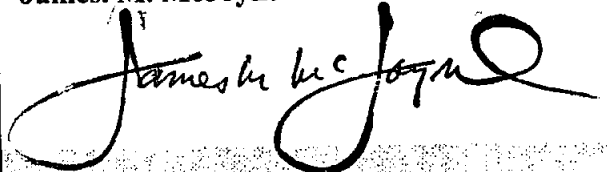
Certificate Holder is included as Additional Insured as respects to the operations of the Named Insured.

CERTIFICATE HOLDER

City of San Diego
3750 John J Montgomery Drive
San Diego, CA 92123

AUTHORIZED REPRESENTATIVE

James M. McJoynt



**AIRPORT LIABILITY
ADDITIONAL INSURED
CERTIFICATE OF INSURANCE**

Policy Number UA00128262-02 issued by U.S. Specialty Insurance Company of Houston Texas was issued to:

Named
Insured
And
Address

COAST AIRCRAFT; FRANK CURRY DBA
8620 GIBBS DRIVE
SAN DIEGO, CA 92123

This certificate of insurance neither
affirmatively or negatively amends,
extends or alters the coverage afforded
by the Policy described herein

And is in force from 06/28/2003 to 06/28/2004. The insurance afforded by the policy is only with respect to the Coverages for which a limit is shown under the Limits of Liability column.

Airport: MONTGOMERY FIELD

LIMITS OF LIABILITY			COVERAGES
\$	1,000,000	Each Occurrence	A AIRPORT BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$	2,000,000	Aggregate	
\$		Each Person	B PRODUCTS COMPLETED OPERATIONS HAZARD BODILY INJURY AND PROPERTY DAMAGE LIABILITY
\$		Each Occurrence	
\$		Aggregate	
\$	100,000	Any One Aircraft	C HANGARKEEPERS LIABILITY
\$	300,000	Each Occurrence	
\$	2,500	Deductible	
\$		Each Person	D MEDICAL PAYMENTS
\$		Each Occurrence	

In the event of cancellation of the above described Policy, the company, if possible, will notify the Certificate Holder, shown below, 10 days prior to such cancellation.

CERTIFICATE ISSUED TO:

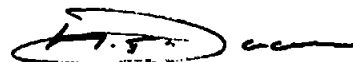
CITY OF SAN DIEGO
MONTGOMERY FIELD
3750 JOHN J. MONTGOMERY DRIVE
SAN DIEGO, CA 92123-1769

U.S. SPECIALTY INSURANCE COMPANY

P.O. Box 797408, Dallas, TX 75379-7408

EXECUTED THIS 16th DAY OF Jun, 2003

By



Authorized Representative

The Certificate holder is included as an additional insured but only with respect to liability arising out of the Named Insured's maintenance or use of the airport.

This is a Memorandum of Insurance and not a Policy of Insurance and no action may be brought hereunder. It is furnished only as evidence that the Insurance Policy described herein has been issued by this company.

AIRPORT LIABILITY ADDITIONAL INSURED CERTIFICATE OF INSURANCE

Policy Number UA00128262-01 issued by U.S. Specialty Insurance Company of Houston, Texas was issued to:

**Named
Insured
And
Address**

COAST AIRCRAFT; FRANK CURRY DBA

8620 GIBBS DRIVE
SAN DIEGO, CA 92123

**This certificate of insurance neither
Affirmatively or negatively amends,
extends or alters the coverage afforded
by the Policy described herein**

And is in force from 06/28/02 to 06/28/03. The insurance afforded by the policy is only with respect to the Coverages for which a limit is shown under the Limits of Liability column.

LIMITS OF LIABILITY			COVERAGES	
\$ 1,000,000	Each Occurrence	A	AIRPORT BODILY INJURY AND PROPERTY DAMAGE LIABILITY	
\$ 2,000,000	Aggregate			
\$	Each Occurrence	B	PRODUCTS COMPLETED OPERATIONS HAZARD BODILY INJURY AND PROPERTY DAMAGE LIABILITY	
\$	Aggregate			
\$ 100,000	Any One Aircraft	C	HANGARKEEPERS LIABILITY	
\$ 300,000	Each Occurrence			
\$ 2,500	Deductible			
\$	Each Person	D	MEDICAL PAYMENTS	
\$	Each Occurrence			

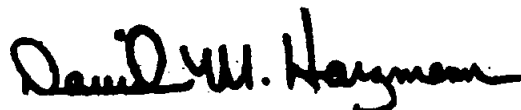
In the event of cancellation of the above described Policy, the company, if possible, will notify the Certificate Holder, shown below, 30 days prior to such cancellation.

CERTIFICATE ISSUED TO:

CITY OF SAN DIEGO
MONTGOMERY FIELD
3750 JOHN J MONTGOMERY DRIVE
SAN DIEGO, CA 92123-1769

U.S. SPECIALTY INSURANCE COMPANY
P.O. Box 797408, Dallas, TX 75379-7408

EXECUTED THIS 28TH DAY OF JUNE, 2002.
By



Authorized Representative

This Certificate holder is included as an additional insured but only with respect to liability arising out of the Named Insured's maintenance or use of the airport.

This is a Memorandum of Insurance and not a Policy of Insurance and no action may be brought hereunder. If it furnished only as evidence that the Insurance Policy described herein has been issued by this company.

CERTIFICATE OF INSURANCE

DATE: June 28, 2002

PRODUCER

Falcon Insurance Agency of CA, Inc.
California License #OB10746
P.O. Box 1000
Upland, CA 91785-1000
James M. McJoynt
Phone No. 800-624-8856 Fax No. 909-593-2343

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY A **U. S. Specialty Insurance Company**

COMPANY B

COMPANY C

COMPANY D

INSURED

Coast Aircraft Sales
8620 Gibbs Drive
San Diego, CA 92123

CO LTR	Type Of Insurance	Policy Number	Policy Effective	Policy Expiration	Limits	
	AIRCRAFT LIABILITY					
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage including Passengers				Each Occurrence	
	Combined Single Limit Liability Coverage For Bodily Injury and Property Damage Including Passengers With Passenger Liability Limited Internally to \$ 00,000.				Each Passenger	
	Medical Coverage				Each Occurrence	
					Each Person	
					Each Occurrence	
	AIRCRAFT PHYSICAL DAMAGE					
	All Risks				Amount of Insurance	
					In Motion Deductible	
					Not In Motion Deductible	
A	AIRPORT LIABILITY	UA0012826201	6/28/02	6/28/03		
	Combined Liability Coverage for Bodily Injury and Property Damage Excluding Products and Completed Operations				Each Occurrence	\$1,000,000.
	Hangarkeepers Liability				Aggregate Limit	\$1,000,000.
					Deductible	\$2,500.
					Each Aircraft	\$100,000.
					Each Occurrence	\$300,000.
	WORKERS' COMP.					
	Employers' Liability				Each Occurrence	

DESCRIPTION OF OPERATIONS/LOCATIONS/AIRCRAFT/SPECIAL ITEMS

Those premises leased to Named Insured at Montgomery Field, San Diego, CA.

Falcon Insurance Agency of California, Inc. has made provision for 30 Day notice (10 Day Notice if for Non-Payment of Premium) to you in the event of cancellation of the above described policies but, except as otherwise stated in this certificate. Falcon Insurance Agency of California, Inc. assumes no legal responsibility for any failure to do so. Falcon Insurance Agency of California, Inc. are not insurers hereunder and they shall not be held liable for any loss or damage. For particulars concerning the limitations, conditions and terms of the coverage you are referred to the original Policy or Policies in the possession of the Assured.

"NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE IS ISSUED. THE INSURANCE AFFORDED BY THE POLICIES LISTED ON THE CERTIFICATE IS SUBJECT TO ALL THE TERMS OF SUCH POLICIES."

Certificate Holder is included as Additional Insured as respects to the operations of the Named Insured.

CERTIFICATE HOLDER

City of San Diego
 3750 John J Montgomery Drive
 San Diego, CA 92123

AUTHORIZED REPRESENTATIVE

