

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR, under that certain Lease Agreement (Master Lease) entered into with GIBBS FLYING SERVICE, INC. (LESSEE) on May 19, 1970, as amended, which is filed in the Office of the City Clerk as Document 732107, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed on September 6, 2000 between the above LESSEE (SUBLESSOR) and O.B. Aircraft Interiors (SUBLESSEE) for Hangar 53 and 53A (Sublet Premise).

The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing to SUBLESSEE and the uses stated in paragraph 5. Use of the Sublease. All terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this Consent is subject to the following conditions: None

APPROVALS:

THE CITY OF SAN DIEGO

Date: 9/18/00

By: [Signature]
Supervising Property Agent

APPROVED AS TO FORM AND LEGALITY:

CASEY GWINN, CITY ATTORNEY

Date: 9/15/00

By: [Signature]
Deputy City Attorney

File:cs.Gibbs&OB.AC

DOCUMENT NO. C-10270
FILED SEP 20 2000
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

SUBLEASE AGREEMENT

Whereas, Gibbs Flying Service, Inc., a California Corporation, hereinafter referred to as Sublessor, desires to sublease a portion of its leasehold on Montgomery Field and,

Whereas, O.B. Aircraft Interiors, Inc., a California Corporation, hereinafter referred to as Sublessee, desires to sublease a portion of the Sublessor's premises and to operate an aircraft interior business on the subleased premises.

Therefore, Gibbs Flying Service and O.B. Aircraft Interiors have entered into and agreed to be bound by this Sublease Agreement, effective the first day of October, 2000.

IT IS AGREED between the parties hereto as follows:

1. DESCRIPTION OF PREMISES. Sublessor leases to Sublessee, and Sublessee leases from Sublessor, on the terms and conditions hereinafter set forth, those certain premises together with all appurtenances thereto, situated on the Gibbs Flying Service, Inc. Leasehold on Montgomery Field in San Diego County, California, known as Hangar 53 and 53A, 8906 Aero Drive and more fully described on Exhibit A, Hangar Rental Agreement.

2. TERM. The term of this Sublease shall commence as of October 1, 2000 and unless otherwise agreed, shall continue until September 30, 2001 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Master Lease, as amended, between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

3. RENT. On or before the 15th day of each month, Sublessee shall pay to Sublessor, without deduction of offset, that portion of the rent payable to the CITY OF SAN DIEGO by Sublessor which is attributable to Sublessee's gross income included within the meaning of Subparagraphs 1 through 7 on Page 2 of the Master Lease at the rate of 5% of the gross revenues from aircraft interiors, repair, service, labor, parts, supplies and accessories that Sublessee sold or provided to the general public from the subleased premises for the prior month. Included with said rent payment shall be an accounting of the labor, parts or services provided for inclusion with Sublessor's rent statement to the City.

4. AMORTIZATION OF LEASEHOLD IMPROVEMENTS AND UTILITIES. In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of premises depreciation, utilities, taxes, maintenance and similar service costs incurred by Sublessor on the premises as more detailed in Exhibit A. Such payments shall be made on or before the first of each month, in advance, in accordance with the terms and conditions of the Hangar Rental Agreement attached as Exhibit A, for the subleased premises.

5. USE. The Subleased Premises are subleased to Sublessee for the general purpose of operating an aviation interior business. The specific uses for which the premises may be used are the installation, repair and refurbishment of aircraft interiors and accessories. Sublessee shall not use, or permit the premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the Sublessee uses the property for other than the specified purpose or purposes, then Sublessor may treat the Sublease as terminated.

6. **ALTERATIONS.** Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained.

7. **ENTRY BY OWNER.** Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. **NON-LIABILITY OF OWNER FOR DAMAGE.** As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof. Sublessee hereby covenants and agrees to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account or of arising out of any such injuries or losses however occurring.

9. **INSURANCE.** Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$1,000,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO, Airports Division and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE, INC." as additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without prior written notice to THE CITY OF SAN DIEGO by the insurance company.

10. **COMPLIANCE WITH LAW AND HIGH BUSINESS STANDARDS.**

Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal law and authorities now in force, or which may hereafter be in force, pertaining to occupancy of the subleased premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. **HAZARDOUS MATERIALS.** Sublessee will not allow the release of hazardous substances in, on, about, under or from the Premise. For the purpose of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State's list of hazardous substances. A copy of the presently effective EPA and the State lists is on file in the City Clerk's Office as City Clerk Document 769704.

In the event of any release of a hazardous substance, Sublessee shall be responsible for all costs of remediation and removal of such substance in accordance with all applicable rules and regulations of governmental authorities.

Sublessee agrees to assume the defense of, indemnify and shall hold the City and Sublessor harmless from any claim, costs and expenses related to environmental liabilities resulting from Sublessee's operations on the premises, including, but not limited to, costs of environmental

assessments, cost of remediation and removal, any necessary response costs, damage for injury to natural resources or the public, and costs of any health assessments or health effect studies.

If Sublessee knows or has reasonable cause to believe that any hazardous substance has been released on, about or beneath the premises, Sublessee shall give written notice to the City Manager and Sublessor within five (5) days of receipt of such knowledge or cause or belief. Provided, however, if Sublessee knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, Sublessee shall notify the City Manager and Sublessor immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. Sublessee will notify the City Manager and Sublessor immediately of any notice of violation received or initiation of environmental action or private suites relative to the premises. In addition, Sublessee shall not utilize, store or sell any hazardous substances, other than aircraft engine and hydraulic oil and used engine oil, providing Sublessee has all required permits and approvals for same from the appropriate governmental agencies, on the property without the prior written consent of Sublessor. Sublessor recognizes and agrees that aircraft stored, maintained and serviced on the premises contain other petroleum products and materials and that the foregoing will not be deemed a violation of this section, so long as Sublessee abides by all applicable hazardous substance laws, rules, permits and regulations.

Notwithstanding the above, Sublessee shall not be responsible for any toxic waste or hazardous substances disposed of or discharged on the premises prior to the effective date of this sublease agreement.

12. ASSIGNMENT OR SUBLETTING. Sublessee shall not assign this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable, as to the interest of Sublessor, by operation of law, without the written consent of Sublessor and THE CITY OF SAN DIEGO.

13. SIGNS. Sublessee shall be allowed one identification sign on the Subleased Premises Hangar Door with a maximum size of 2 square feet, subject to approval by the City of San Diego and Sublessor. No other signs or advertising on the Premises or Sublessor's premises is allowed

14. HOLDING OVER. Any holding over after the expiration of the term, with the consent of the Sublessor, shall be construed to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

13. PROVISIONS OF MASTER LEASE. Sublessee acknowledges receipt of a copy of the Master Lease between THE CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC. (the Sublessor herein) dated May 19, 1970. Sublessee agrees to be bound by the terms and conditions of such Master Lease and to perform all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

14. REMEDIES OF SUBLESSOR. In the event of any breach of this Sublease, including the violation of any term or condition of the Master Lease, the Sublessor, besides other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not Sublessee has violated any of the terms and conditions of this Lease or the Master Lease. Should Sublessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease or it may from time to time, without terminating this Sublease, relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor in its sole discretion may deem advisable, with the right to make alterations and repairs to the premises; upon each such reletting Sublessee shall be immediately liable to pay to Sublessor, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs, incurred by Sublessor, and the amount, if any, by which the rent reserved in this Sublease for the period of such reletting (up to but not beyond the term of this Sublease) exceeds the amount agreed to be paid as rent for the demised premises for such period on such reletting.

15. INSOLVENCY. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, or (b) a general assignment by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee under any insolvency or bankruptcy act shall constitute a breach of this Sublease by the Sublessee.

16. BINDING ON SUCCESSORS. The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

17. LEGAL PROCEEDINGS. Should it become necessary for Sublessor or THE CITY OF SAN DIEGO to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

IN WITNESS WHEREOF, the Sublessor and the Sublessee have executed this Sublease as of the day and year first written above.

SUBLESSEE: O.B. Aircraft Interiors, Inc.

Date: Sept 6, 2000

by: 
Patrick D. Barrows

its Vice President

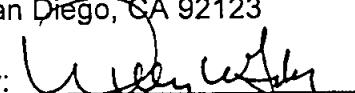
Permanent Address 8904-A Aero Drive

City/St San Diego, CA 92123

Phone 858-278-9797

SUBLESSOR: Gibbs Flying Service, Inc.
8906 Aero Drive
San Diego, CA 92123

Date: Sept 6, 2000

by: 

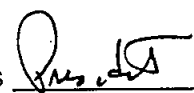
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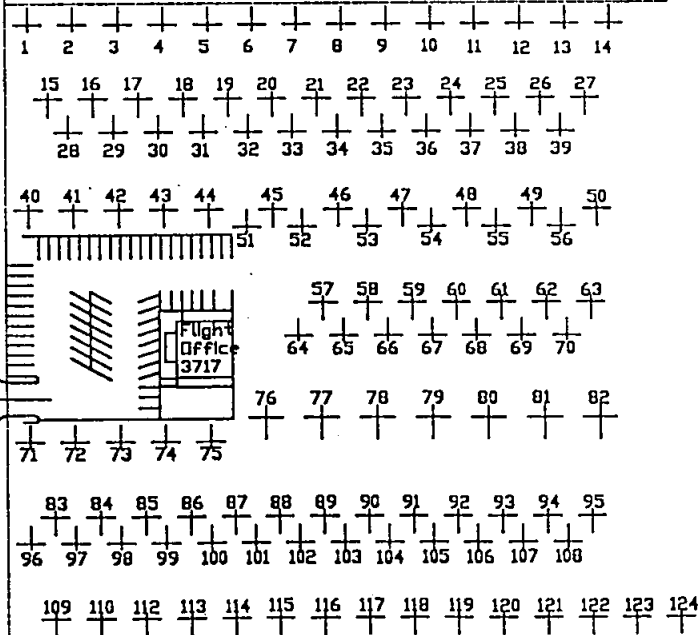
EXHIBIT A

John J. Montgomery Drive

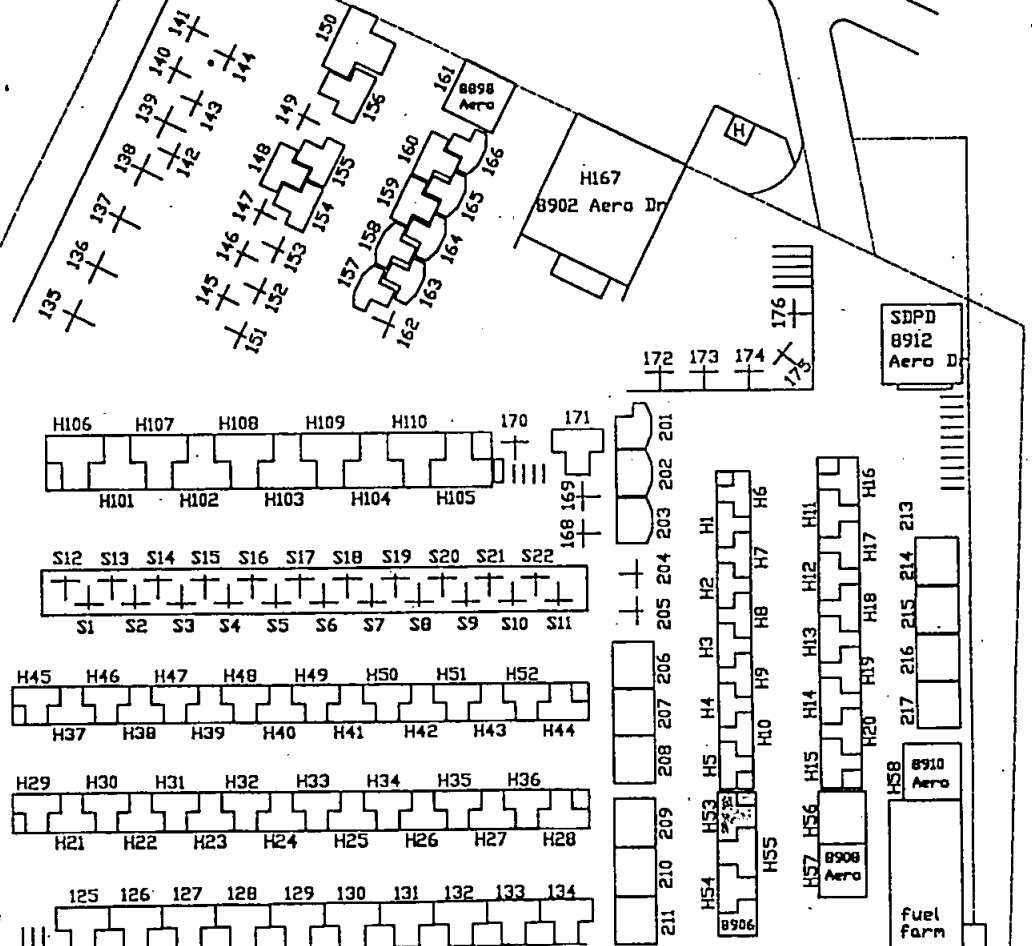
Gibbs Flying Service, Inc.
Lots 1 & 2
Montgomery Field

File: newnumbers.dwg

Mar 24, 2000



AERO DRIVE



HANGAR RENTAL AGREEMENT

THIS AGREEMENT, made this 1ST day of August, 2000 by and between Gibbs Flying Service, Inc., a California Corporation hereinafter referred to as "GIBBS", and O.B. AIRCRAFT INTERIORS hereinafter referred to as "TENANT".

IT IS AGREED AS FOLLOWS:

1. That GIBBS owns, operates, leases and maintains a Fixed Base Operation at Montgomery Field that includes among other services the rental of hangar and tiedown spaces to individual aircraft owners and operators.

2. That TENANT is the registered owner, agent of owner, lessee or assignee of the following described aircraft:

AIRCRAFT REGISTRATION # TYPE

REGISTERED OWNER FOR USE AS AIRCRAFT INTERIOR BUSINESS SUBJECT TO
SUBLEASE AGREEMENT 9/15/00

3. GIBBS hereby rents to TENANT, and TENANT hereby hires from GIBBS hangar number 53 & 53A at Gibbs Flying Service, Inc. Montgomery Field, for storage of the previously described aircraft in accordance with the terms and conditions of this Agreement and any other rules and regulations as may be imposed from time to time.

4. The term of this Agreement shall be a month to month occupancy, commencing on the first day of the month and ending on the last day of the month, provided, however, that this lease shall be automatically renewed for successive terms of the same length, unless either party gives the other party written notice of his intention to terminate the lease, which notice shall be given at least 30 days before the end of the term.

5. TENANT agrees that in consideration of the hangar provided, he will pay to GIBBS the sum of \$ 400 (H53) + \$ 55 (H53A) + per month, payable in advance on the first of each month. Accounts will be termed delinquent after 10 days and will be charged a delinquency fee amounting to one and one half percent per month on all balances unpaid 30 days or more. Hangar rent is subject to adjustment at GIBBS discretion upon 45 days written notice to TENANT.

6. TENANT agrees ~~that the sole purpose of this Agreement is to provide aircraft hangar storage space for the above described aircraft and its appurtenances. TENANT agrees that the aircraft will be used for his private business and pleasure uses only and that no commercial operations will be conducted from the rental premises.~~ ELECTRICAL UTILITIES WITH SEPARATE METER
~~SEE USE SUBJECT TO SUBLEASE~~

7. TENANT agrees to keep the aircraft in an airworthy, operable condition while hangared at GIBBS. Hangar may be used for the minor maintenance, refurbishment or repair of aircraft so long as such maintenance, refurbishment or repair does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, storage of flammables, caustics, oxidizers, reactants or any hazardous materials is prohibited.

8. TENANT agrees to maintain a Public Liability and Property Damage insurance policy in force and effect during the term of this agreement with a minimum coverage for bodily injury and property damage liability of \$500,000.

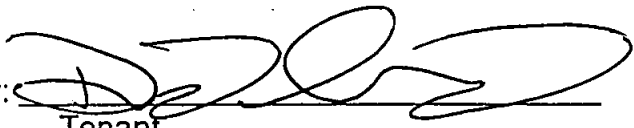
9. TENANTS rights hereunder are personal to TENANT and may not be transferred or assigned to any other party during the term of this agreement. TENANT may substitute the previously described aircraft for other aircraft owned or controlled by TENANT upon written notice to GIBBS.

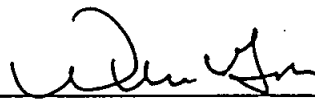
10. TENANT has inspected hangar, taxiways and related facilities and determined them to be suitable for his use and storage of his aircraft. Except for the sole negligence of GIBBS, TENANT agrees that GIBBS shall have no liability whatsoever for any loss of, or damage of whatsoever kind to said aircraft, equipment, appurtenances, or personal property, or any of them, whether caused by theft, fire, collision, or any other cause of any kind or nature whatsoever, or for the death of, or personal injuries to, members of his family, employees or other invitees, howsoever caused, occurring on said aircraft or any of the hangars, taxiways, access ways, roads, walks, equipment or premises belonging to GIBBS, or under control of GIBBS. Owner agrees to indemnify and hold harmless GIBBS and its officers, agents, employees from any matter, thing, loss or occurrence arising out of or relating to the operation, occupancy or possession by TENANT or his family, employees or invitees of any aircraft or vehicle in or around any GIBBS taxiway, hangar or tiedown facilities.

11. TENANT covenants and agrees with GIBBS to comply and faithfully observe all GIBBS Hangar, Tiedown and Parking Rules, and all applicable rules and regulations of any the Federal Aviation Administration, City of San Diego.

12. In the event of any controversy between parties hereto concerning this rental agreement, it is agreed that in the event litigation is filed that the prevailing party may be awarded and recover reasonable attorney fees.

By execution of this agreement TENANT acknowledges and agrees that he has read and approved this agreement and acknowledges receipt of a copy of the current Hangar, Tiedown and Parking Rules which are attached hereto.

By: 
Tenant

By: 
Gibbs Flying Service, Inc.

Billing Name: OCEAN BEACH AIRCRAFT INTERIORS INC (Company or owner if different)

Attention: DAVID, PATRICK

Address: 8904-C Aero Dr
San Diego Ca 92127

City: _____ State: _____ Zip: _____

Day Phone # 858-278-9797 Evening Phone # _____

Emergency Contact: Dan - Post Phone: _____

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc., a California Corporation, (LESSEE) which is filed in the Office of the City Clerk as Document 732107, as amended, hereby consents to the certain Sublease Agreement (Sublease), attached hereto, that was executed between the above LESSEE (SUBLESSOR) and Sorbi Flying Club, a California Not For Profit Mutual Benefit Corporation (SUBLESSEE), for a portion of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive at Montgomery Field Airport, shown on Exhibit "A" in the Sublease, commencing on April 1, 2000. The Consent is subject to the following condition(s):

1. SUBORDINATION: The Sublease will subordinate to the Master Lease in all respects. The CITY is merely consenting to the subleasing and the proposed use. All terms and conditions of the Master Lease shall control the proposed use and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.
2. INSURANCE: In addition to the insurance required in section 14. of the Sublease Agreement, SUBLESSEE shall maintain the following minimum insurance coverages, naming the CITY as additionally insured:

Comprehensive General Liability, including Aircraft Operations in a minimum amount of One Million Dollars (\$1,000,000) coverage, per occurrence, with a minimum coverage of \$100,000 per passenger, covering all aircraft used by SUBLESSEE. This policy shall cover all injury or damage, including death suffered by any party or parties from acts, or failure to act, by anyone in connection with operation of the aircraft by SUBLESSEE.

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

Consent to Sublease Agreement
Gibbs Flying Service Inc. and Sorbi Flying Club

APPROVALS:

THE CITY OF SAN DIEGO

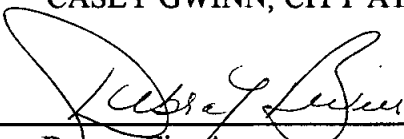
Date: 3/7/00

By: 
Supervising Property Agent

APPROVED AS TO FORM:

CASEY GWINN, CITY ATTORNEY

Date: 3/16/00

By: 
Deputy City Attorney

File: Sorbi.cstsubl

AVIATION OFFICE SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 1st day of January, 2000, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and Sorbi Flying Club, a California Not for Profit Mutual Benefit Corporation, Sublessee, ("Tenant").

2. MASTER LEASE.

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "C", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM, Summer, 6:00 PM Winter, weekdays and 8:00 AM to 6:00 PM Summer, 5:00 PM Winter, weekends or such hours as Landlord shall regularly post and maintain. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. TERM. The term of this Sublease shall be ONE (1) year, commencing on the 1st day of April, 2000, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on March 31, 2001.

5. RENT. Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of two hundred fifty dollars (\$250.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding

multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. By execution and approval of this Sublease Agreement, without amendment or modification, THE CITY OF SAN DIEGO agrees that Tenant, being an approved "not for profit" flying club, is exempted from the percentage rental clause in Landlords Master Lease. However, if actions of Tenant, business changes of Tenant or other events, cause Tenant's tenancy to be deemed subject to City Percentage Rent as defined in the Master Lease, then Tenant shall pay to the Landlord on or before the 20th of each month the percentage rent for the previous month, or any months in arrears, as required by the Lease Agreement between Landlord and the City of San Diego, dated May 19, 1970, as amended, plus an amount equal to fifty (50) percent of the percentage rent and Landlord shall, upon receipt of such payment, make the appropriate payment to the City of San Diego. Tenant shall maintain any and all records required by said Lease Agreement, as amended, and agrees to hold Landlord harmless for any error or omission of Tenant in the payment, reporting or recording required by said Lease Agreement and Tenant further agrees to pay any and all penalties, interest or sums of money required by the City of San Diego for such error or omission, including the delinquent payment of percentage rent, provided however, Tenant shall not be responsible for any delays or omissions caused by Landlord.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for a "Not for Profit Flying Club" administrative and general office space and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) ,including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes;

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ 0 as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit on account of Tenant's default. If any portion of the Security Deposit is so used, retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. RELOCATION. Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. REPAIRS AND ALTERATIONS.

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. COVENANT AGAINST LIENS. Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. ASSIGNMENT AND SUBLETTING. Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, to be capable of paying rent

under this Sublease on a regular basis and (ii) a similar or greater level of experience in the permitted business uses as Tenant at the time Tenant executed this Sublease, and (iii) an excellent reputation for being honest and having a good moral character. The sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve Tenant of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit B.

16. **ENTRY BY LANDLORD.** Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. **RECONSTRUCTION.** In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. **DEFAULTS AND REMEDIES.**

18.1 **TENANT'S DEFAULT.** The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) sublease under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or
- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or

G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or

H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

A. Terminate this Sublease or Tenant's right to possession of the Office(s).

B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus

2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus

3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus

4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used

in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. EMINENT DOMAIN. If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. OFFSET STATEMENT. Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. RIDERS. Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. WAIVER. The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

23. NOTICES. All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. TIME IS OF THE ESSENCE. Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. CONSTRUCTION. The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. **SUBORDINATION, ATTORNMENT.** Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this

Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), Office(s)'s windows or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

TENANT:
Sorbi Flying Club
8690 Aero Drive, #364
San Diego, CA 92123

By: William S. Smith, president

By: F. S. D.

Date: Feb 4, 2000

Date: 1/1/2000

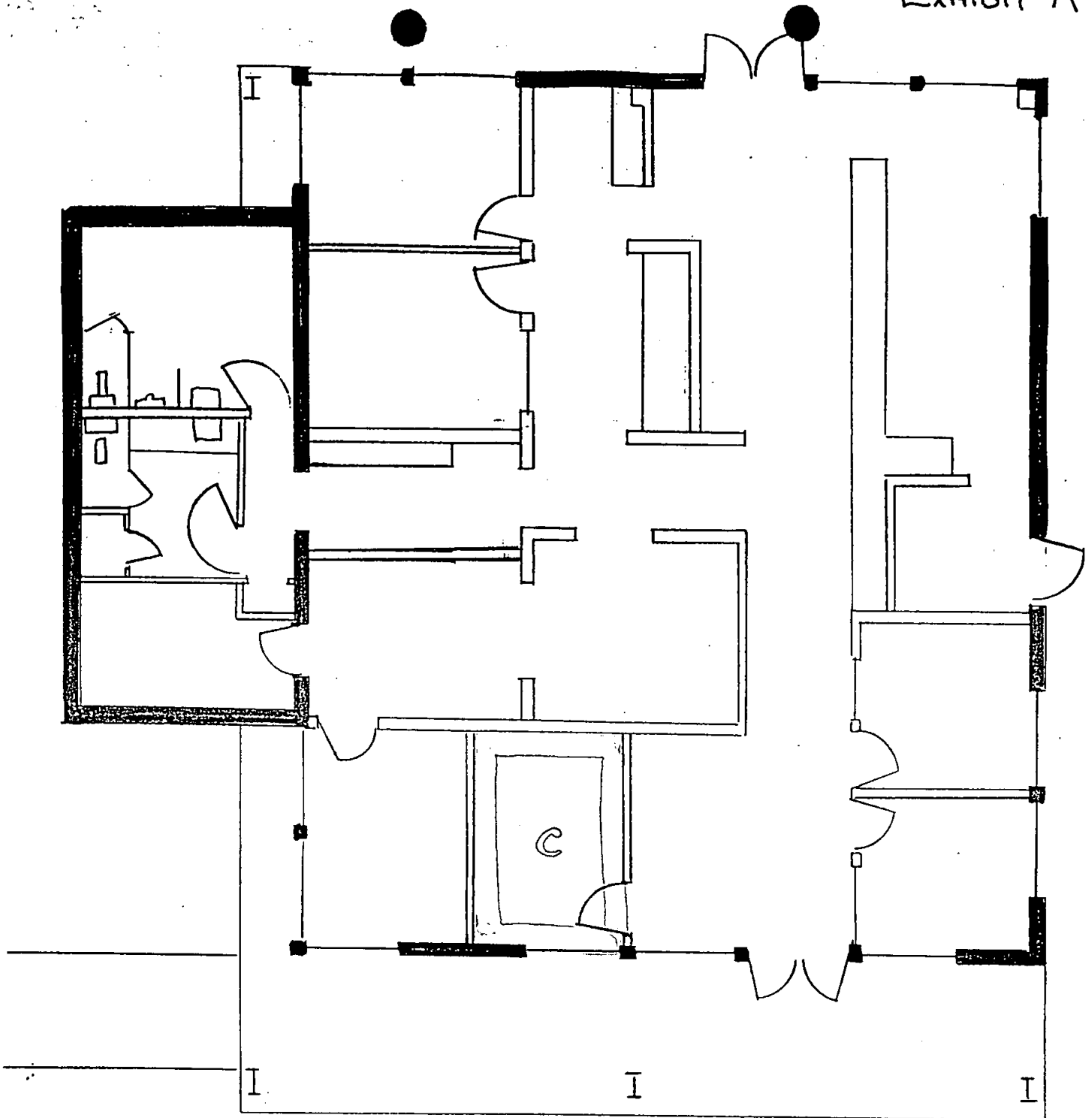
Approved by the City of San Diego

By: _____

Date: _____

GFS/Sorbi LSE

EXHIBIT A



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive



Gibbs Flying Service General Rules

Sublease Exhibit B

Page 1 of 2

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars"), aircraft tiedown spaces ("Tiedowns"), Taxiways, Parking Areas, tenants and their possessions.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive sound or noise, smell, vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in any areas of the office(s) or hangar(s).
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by Gibbs Flying Service, Inc. (GIBBS) for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at the Gibbs Flying Service, Inc. Aircraft Facility (GFSAF) must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc. (LESSEE), which is filed in the Office of the City Clerk as Document No. 732107, as amended, consents to LESSEE's subleasing property to Golden Wings Flying Club, Inc. (SUBLESSEE), as shown on Exhibit "A" Premises of the SUBLEASE AGREEMENT (SUBLEASE), attached hereto. The City does not consent to any individual terms of the SUBLEASE and does not agree to be bound to the SUBLESSEE in any respect to its content.

The SUBLEASE shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the SUBLEASE, 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: 10/1/98

By: [Signature]
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, City Attorney

Date: 10/5/98

By: [Signature]
Deputy City Attorney

file:cstgldwng..

DOCUMENT NO. C-08995
FILED OCT 08 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AVIATION OFFICE SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 1st day of September, 1998, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and Golden Wings Flying Club, Inc., a California Non Profit Mutual Benefit Corporation, Sublessee, ("Tenant").

2. MASTER LEASE.

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "A", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM weekdays (6:00 PM Winter months) and 8:00 AM to 6:00 PM weekends. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. TERM. The term of this Sublease shall be one (1) year, commencing on the 1st day of November, 1998, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on October 31, 1999.

5. RENT. Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of two hundred fifty dollars (\$250.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. Subject to written approval from the City of San Diego, Tenant being a "not for profit" flying club, Tenant should be exempted from the percentage rental clause in Landlords Master Lease. However, if actions of Tenant, business changes or other events, cause Tenant's tenancy to be deemed subject to City Percentage Rent as defined in the Master Lease, then Tenant shall pay to the Landlord on or before the 20th of each month the percentage rent for the previous month, or any months in arrears, as required by the Lease Agreement between Landlord and the City of San Diego, dated May 19, 1970, as amended, plus an amount equal to twenty five (25) percent of the percentage rent and Landlord shall, upon receipt of such payment, make the appropriate payment to the City of San Diego. Tenant shall maintain any and all records required by said Lease Agreement, as amended, and agrees to hold Landlord harmless for any error or omission of Tenant in the payment, reporting or recording required by said Lease Agreement and Tenant further agrees to pay any and all penalties, interest or sums of money required by the City of San Diego for such error or omission, including the delinquent payment of percentage rent, provided however, Tenant shall not be responsible for any delays or omissions caused by Landlord.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for the operation and management of a not for profit flying club and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Not Required.

9. RELOCATION. Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. REPAIRS AND ALTERATIONS.

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. COVENANT AGAINST LIENS. Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. ASSIGNMENT AND SUBLETTING. Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, to be capable of paying rent under this Sublease on a regular basis and (ii) a similar or greater level of experience in the permitted business uses as Tenant at the time Tenant executed this Sublease, and (iii) an excellent reputation for being honest and having a good moral character. The sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve Tenant of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be canceled or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit B.

16. **ENTRY BY LANDLORD.** Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. **RECONSTRUCTION.** In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as herein above provided; or (2) at any time

within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. DEFAULTS AND REMEDIES.

18.1 TENANT'S DEFAULT. The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) sublease under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or
- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to

Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. **EMINENT DOMAIN.** If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. **OFFSET STATEMENT.** Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. **RIDERS.** Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.
22. **WAIVER.** The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.
23. **NOTICES.** All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.
24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.
25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.
26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.
27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.
28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.
29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.
30. **RECORDING.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.
31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.
32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage

or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMEN. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:

GIBBS FLYING SERVICE, INC.
a California Corporation

By: William A. Gibbs

Date: Sept. 1, 1988

TENANT:

Golden Wings Flying Club, Inc.

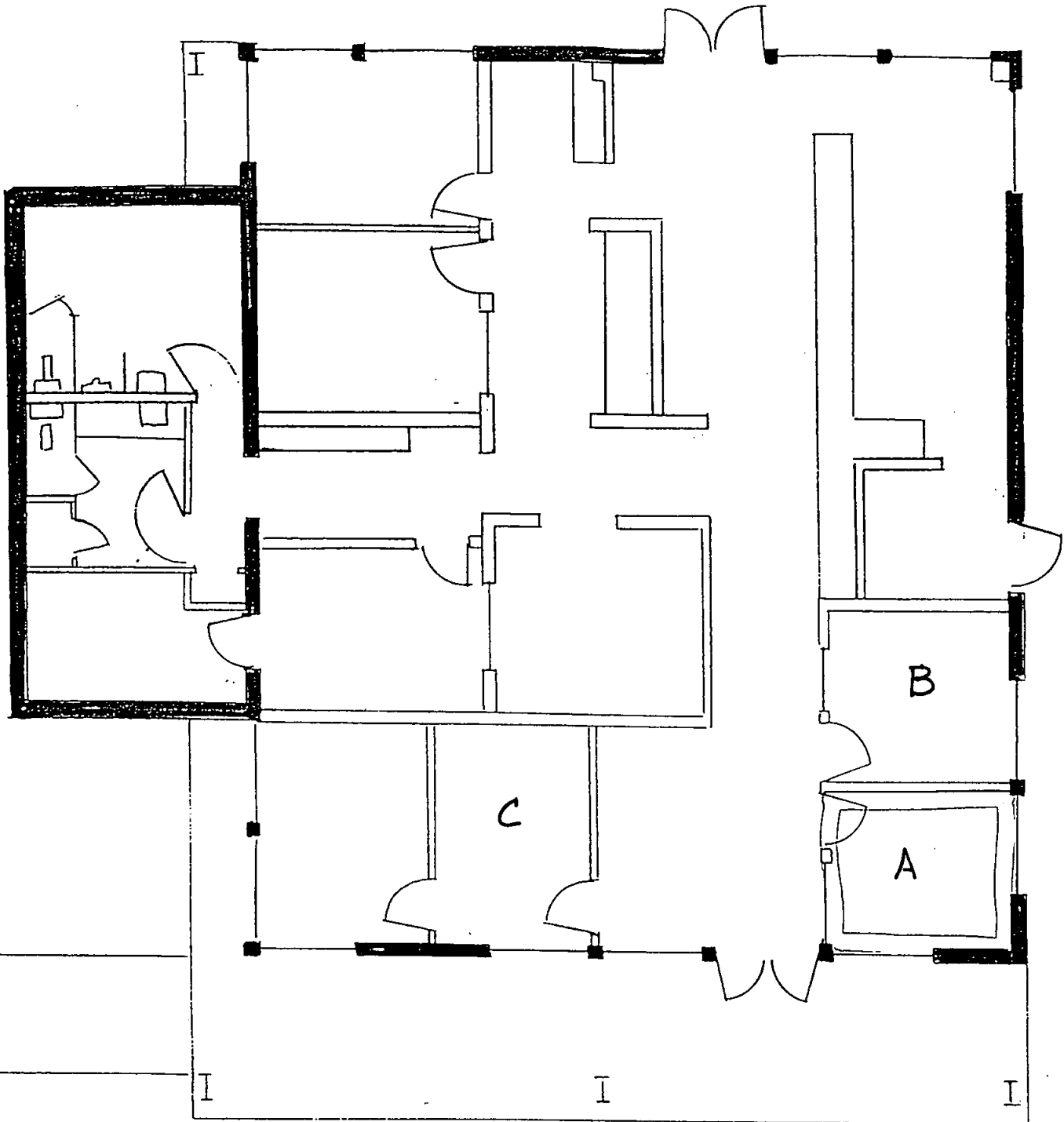
15131 Chad Road

El Cajon, CA 92021

By: Timothy T. Tsch

Date: 9-1-98

GoldenWings.LSE



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive



General Rules

August, 1998

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars"), aircraft tiedown spaces ("Tiedowns"), Taxiways, Parking Areas, tenants and their possessions.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive sound or noise, smell, vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in any areas of the office(s) or hangar(s).
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by Gibbs Flying Service, Inc. (GIBBS) for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at the Gibbs Flying Service, Inc. Aircraft Facility (GFSAF) must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with GIBBS FLYING SERVICE, INC. (LESSEE), which is filed in the Office of the City Clerk as Document No. 732107, hereby consents to the Sublease Agreement executed between the above LESSEE (SUBLESSOR) and LEFT COAST AVIATION, INC. (SUBLESSEE), executed on April 10, 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.

THE CITY OF SAN DIEGO

Date: 4/21/98

By: [Signature]
Supervising Property Agent

APPROVED AS TO FORM:

CASEY G. GWINN, CITY ATTORNEY

Date: 4/22/98

By: [Signature]
Deputy City Attorney

file:form.cstsub.

DOCUMENT NO. C-08693
FILED MAY 01 1998
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

SUBLEASE AGREEMENT

Whereas, Gibbs Flying Service, Inc., a California Corporation, hereinafter referred to as Sublessor, desires to sublease a portion of it's leasehold on Montgomery Field and,

Whereas, Left Coast Aviation, Inc., a Delaware Corporation, hereinafter referred to as Sublessee, desires to sublease a portion of the Sublessor's premises and to operate an aircraft maintenance business on the subleased premises.

Therefore, Gibbs Flying Service and Left Coast Aviation have entered into and agreed to be bound by this Sublease Agreement, effective the first day of January 1998.

IT IS AGREED between the parties hereto as follows:

1. **DESCRIPTION OF PREMISES.** Sublessor leases to Sublessee, and Sublessee leases from Sublessor, on the terms and conditions hereinafter set forth, those certain premises together with all appurtenances thereto, situated on the Gibbs Flying Service, Inc. Leasehold on Montgomery Field in San Diego County, California, known as Hangar 53, 8906 Aero Drive and more fully described on Exhibit A, Hangar Rental Agreement.

2. **TERM.** The term of this Sublease shall commence as of January 1, 1998 and unless otherwise agreed, shall continue until December 31, 1998 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Master Lease, as amended, between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

3. **RENT.** On or before the 15th day of each month, Sublessee shall pay to Sublessor, without deduction of offset, that portion of the rent payable to the CITY OF SAN DIEGO by Sublessor which is attributable to Sublessee's gross income included within the meaning of Subparagraphs 1 through 7 on Page 2 of the Master Lease at the rate of 5% of the gross revenues from aircraft maintenance, repair, service, labor, parts, supplies and accessories that Sublessee sold or provided to the general public from the subleased premises or any of Sublessor's Premises for the prior month. Included with said rent payment shall be an accounting of the labor, parts or services provided for inclusion with Sublessor's rent statement to the City.

4. **AMORTIZATION OF LEASEHOLD IMPROVEMENTS AND UTILITIES.** In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of premises depreciation, utilities, taxes, maintenance and similar service costs incurred by Sublessor on the premises as more detailed in Exhibit A. Such payments shall

be made on or before the first of each month, in advance, in accordance with the terms and conditions of the Hangar Rental Agreement attached as Exhibit A, for the subleased premises.

5. **USE.** The Subleased Premises are subleased to Sublessee for the general purpose of operating an aviation maintenance business. The specific uses for which the premises may be used are the service, repair and maintenance of aircraft and accessories. Sublessee shall not use, or permit the premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the Sublessee uses the property for other than the specified purpose or purposes, then Sublessor may treat the Sublease as terminated.

6. **ALTERATIONS.** Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained.

7. **ENTRY BY OWNER.** Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. **NONLIABILITY OF OWNER FOR DAMAGE.** As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof. Sublessee hereby covenants and agrees to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account or of arising out of any such injuries or losses however occurring.

9. **INSURANCE.** Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$1,000,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO, Airports Division and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE, INC." as additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without prior written notice to THE CITY OF SAN DIEGO by the insurance company.

10. **COMPLIANCE WITH LAW AND HIGH BUSINESS STANDARDS.** Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal law and authorities now in force, or which may hereafter be in force, pertaining to occupancy of the subleased premises, and shall

faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. **HAZARDOUS MATERIALS.** Sublessee will not allow the release of hazardous substances in, on, about, under or from the Premise. For the purpose of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State's list of hazardous substances. A copy of the presently effective EPA and the State lists is on file in the City Clerk's Office as City Clerk Document 769704.

In the event of any release of a hazardous substance, Sublessee shall be responsible for all costs of remediation and removal of such substance in accordance with all applicable rules and regulations of governmental authorities.

Sublessee agrees to assume the defense of, indemnify and shall hold the City and Sublessor harmless from any claim, costs and expenses related to environmental liabilities resulting from Sublessee's operations on the premises, including, but not limited to, costs of environmental assessments, cost of remediation and removal, any necessary response costs, damage for injury to natural resources or the public, and costs of any health assessments or health effect studies.

If Sublessee knows or has reasonable cause to believe that any hazardous substance has been released on, about or beneath the premises, Sublessee shall give written notice to the City Manager and Sublessor within five (5) days of receipt of such knowledge or cause or belief. Provided, however, if Sublessee knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, Sublessee shall notify the City Manager and Sublessor immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. Sublessee will notify the City Manager and Sublessor immediately of any notice of violation received or initiation of environmental action or private suites relative to the premises. In addition, Sublessee shall not utilize, store or sell any hazardous substances, other than aircraft engine and hydraulic oil and used engine oil, providing Sublessee has all required permits and approvals for same from the appropriate governmental agencies, on the property without the prior written consent of Sublessor. Sublessor recognizes and agrees that aircraft stored, maintained and serviced on the premises contain other petroleum products and materials and that the foregoing will

not be deemed a violation of this section, so long as Sublessee abides by all applicable hazardous substance laws, rules, permits and regulations.

Notwithstanding the above, Sublessee shall not be responsible for any toxic waste or hazardous substances disposed of or discharged on the premises prior to the effective date of this sublease agreement.

12. **ASSIGNMENT OR SUBLETTING.** Sublessee shall not assign this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable, as to the interest of Sublessor, by operation of law, without the written consent of Sublessor and THE CITY OF SAN DIEGO.

13. **SIGNS.** Sublessee shall be allowed one identification sign on the Subleased Premises with a maximum size of 2 square feet, subject to approval by the City of San Diego. No other signs or advertising on the Premises or Sublessor's premises is allowed

14. **HOLDING OVER.** Any holding over after the expiration of the term, with the consent of the Sublessor, shall be construed to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

13. **PROVISIONS OF MASTER LEASE.** Sublessee acknowledges receipt of a copy of the Master Lease between THE CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC. (the Sublessor herein) dated May 19, 1970. Sublessee agrees to be bound by the terms and conditions of such Master Lease and to perform all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

14. **REMEDIES OF SUBLESSOR.** In the event of any breach of this Sublease, including the violation of any term or condition of the Master Lease, the Sublessor, besides other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not Sublessee has violated any of the terms and conditions of this Lease or the Master Lease. Should Sublessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease or it may from time to time, without

terminating this Sublease, relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor in its sole discretion may deem advisable, with the right to make alterations and repairs to the premises; upon each such reletting Sublessee shall be immediately liable to pay to Sublessor, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs, incurred by Sublessor, and the amount, if any, by which the rent reserved in this Sublease for the period of such reletting (up to but not beyond the term of this Sublease) exceeds the amount agreed to be paid as rent for the demised premises for such period on such reletting.

15. **INSOLVENCY.** Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, or (b) a general assignment by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee under any insolvency or bankruptcy act shall constitute a breach of this Sublease by the Sublessee.

16. **BINDING ON SUCCESSORS.** The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

17. **LEGAL PROCEEDINGS.** Should it become necessary for Sublessor or THE CITY OF SAN DIEGO to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

IN WITNESS WHEREOF, the Sublessor and the Sublessee have executed this Sublease as of the day and year first written above.

SUBLESSEE:

Jay K. Ramowski
Jay K. Ramowski, President
Left Coast Aviation, Inc.

Date: 4-10-98

Permanent
Address

4680 Norma Drive

City/St

San Diego, CA 92115

Phone

800-921-0183

SUBLESSOR:

Gibbs Flying Service, Inc.
8906 Aero Drive
San Diego, CA 92123

Date: 4/10/98

by: [Signature]

its [Signature]

EXHIBIT A

HANGAR RENTAL AGREEMENT

THIS AGREEMENT, made this 1 day of June, 1997 by and between Gibbs Flying Service, Inc., a California Corporation hereinafter referred to as "GIBBS", and Jay Ramowski, Left Coast Aviation hereinafter referred to as "TENANT".

IT IS AGREED AS FOLLOWS:

1. That GIBBS owns, operates, leases and maintains a Fixed Base Operation at Montgomery Field that includes among other services the rental of hangar and tiedown spaces to individual aircraft owners and operators.

2. That TENANT is the registered owner, agent of owner, lessee or assignee of the following described aircraft:

AIRCRAFT REGISTRATION # JA21045 TYPE —

REGISTERED OWNER —

3. GIBBS hereby rents to TENANT, and TENANT hereby hires from GIBBS hangar number 55 at Gibbs Flying Service, Inc. Montgomery Field, for storage of the previously described aircraft in accordance with the terms and conditions of this Agreement and any other rules and regulations as may be imposed from time to time.

4. The term of this Agreement shall be a month to month occupancy, commencing on the first day of the month and ending on the last day of the month, provided, however, that this lease shall be automatically renewed for successive terms of the same length, unless either party gives the other party written notice of his intention to terminate the lease, which notice shall be given at least 30 days before the end of the term.

5. TENANT agrees that in consideration of the hangar provided, he will pay to GIBBS the sum of \$ 350.00 per month, payable in advance on the first of each month. Accounts will be termed delinquent after 10 days and will be charged a delinquency fee amounting to one and one half percent per month on all balances unpaid 30 days or more. Hangar rent is subject to adjustment at GIBBS discretion upon 45 days written notice to TENANT.

6. TENANT agrees that the sole purpose of this Agreement is to provide aircraft hangar storage space for the above described aircraft and its appurtenances. TENANT agrees that the aircraft will be used for his private business and pleasure uses only and that no commercial operations will be conducted from the rental premises.

7. TENANT agrees to keep the aircraft in an airworthy, operable condition while hangared at GIBBS. Hangar may be used for the minor maintenance, refurbishment or repair of aircraft so long as such maintenance, refurbishment or repair does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, storage of flammables, caustics, oxidizers, reactants or any hazardous materials is prohibited.

8. TENANT agrees to maintain a Public Liability and Property Damage insurance policy in force and effect during the term of this agreement with a minimum coverage for bodily injury and property damage liability of \$300,000.

9. TENANTS rights hereunder are personal to TENANT and may not be transferred or assigned to any other party during the term of this agreement. TENANT may substitute the previously described aircraft for other aircraft owned or controlled by TENANT upon written notice to GIBBS.

10. TENANT has inspected hangar, taxiways and related facilities and determined them suitable for his use and storage of his aircraft. Except for the sole negligence of GIBBS, TENANT agrees that GIBBS shall have no liability whatsoever for any loss of, or damage of whatsoever kind to said aircraft, equipment, appurtenances, or personnel, or any of them, whether caused by theft, fire, collision, or any other cause of any kind or nature whatsoever, or for the death of, or personal injuries to, members of his family, employees or other invitees, howsoever caused, occurring on said aircraft or any of the hangars, taxiways, access ways, roads, walks, equipment or premises belonging to GIBBS, or under control of GIBBS. Owner agrees to indemnify and hold harmless GIBBS and its officers, agents, employees from any matter, thing, or occurrence arising out of or relating to the operation, occupancy or possession by TENANT or his family, employees or invitees of any aircraft or vehicle or any hangar or tiedown facilities hereunder.

11. TENANT covenants and agrees with GIBBS to comply and faithfully observe all GIBBS Hangar and Tiedown Rules, and all applicable rules and regulations of any the Federal Aviation Administration, City of San Diego.

12. In the event of any controversy between parties hereto concerning this rental agreement, it is agreed that in the event litigation is filed that the prevailing party may be awarded and recover reasonable attorney fees.

By execution of this agreement TENANT acknowledges and agrees that he has read and approved this agreement and acknowledges receipt of a copy of the current Hangar and Tiedown Rules which are attached hereto.

By: [Signature]
Tenant

By: [Signature]
Gibbs Flying Service, Inc.

Billing Name: Left Coast Aviation

Attention: Jay Ramowski

Address: 4680 Norma Dr

City: San Diego State: CA Zip: 92115

Day Phone # 505-0284 Evening Phone # 282-6380

Attachment: Rules

File Gibbs
Renshaw
Sublease

CONSENT TO THIRD AMENDMENT TO SUBLEASE AND
ASSIGNMENT OF SUBLEASE AGREEMENT

City of San Diego as LESSOR to a certain Lease Agreement as amended with Gibbs Flying Service, Inc. (LESSEE), which is filed in the Office of the City Clerk as Document RR-732107 approved a Sublease Agreement to said Lease Agreement executed between Gibbs Flying Service, Inc. (SUBLESSOR) and Thomas M. Renshaw (SUBLESSEE), on July 1, 1982.

Thomas M. Renshaw, a SUBLESSEE (ASSIGNOR) now desires to assign his entire interest in the Sublease Agreement, as amended, to Francisco X. Lucero (ASSIGNEE), as provided in the attached Assignment of Sublease Agreement, which the City hereby approves.

The CITY is merely approving the Third Amendment to Sublease Agreement and Assignment of Sublease, attached hereto, and all terms and conditions of the Master Lease shall control and supersede any inconsistency or contrary provisions in the attached Agreements. The CITY is not bound by any term or condition in the attached documents, which in any way conflicts with or is additional to the provisions of the Master Lease.

THE CITY OF SAN DIEGO

Date:

9/14/95

By:

Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Date:

9/15/95

By:

Deputy City Attorney

gibbsrenshaw.sub

DOCUMENT NO.

0-06526

FILED

OCT 02 1995

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This FIRST AMENDMENT TO SUBLEASE AGREEMENT is made as of June 1, 1989, by and between GIBBS FLYING SERVICE, INC., (Sublessor), and THOMAS M. RENSHAW DBA AIRCRAFT CLEANING SERVICE, (Sublessee).

RECITALS

Sublessor and Sublessee have entered into a written Sublease Agreement, dated July 1, 1982, (the Sublease) whereby Sublessor leased to Sublessee and Sublessee leased from Sublessor those Premises, more fully described in Exhibit A and B in the Sublease, located on the GIBBS FLYING SERVICE, INC. Leasehold pursuant to the terms of the Master Lease between the City of San Diego and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

A. The term of this Sublease shall be amended and shall continue, unless otherwise agreed to in writing, until May 31, 1990 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Master Lease between the City of San Diego and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended.

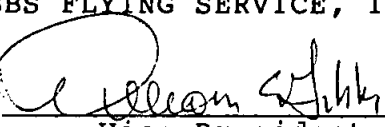
B. This Amendment shall inure to the benefit of and be binding upon the parties hereto, their successors, and assigns.

The provisions of said Sublease are hereby modified only in these respects and the Sublease shall otherwise remain the same and in full force and effect.

In witness thereof, the parties have set their hand this 15th day of May, 1989.

SUBLESSOR:

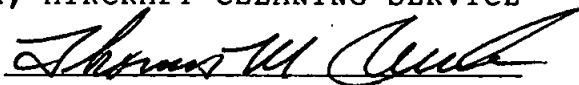
GIBBS FLYING SERVICE, INC.

By:  _____

Vice President

SUBLESSEE:

THOMAS M. RENSHAW
DBA, AIRCRAFT CLEANING SERVICE

By:  _____

SECOND AMENDMENT TO SUBLEASE AGREEMENT

This SECOND AMENDMENT TO SUBLEASE AGREEMENT is made as of June 1, 1990, by and between GIBBS FLYING SERVICE, INC., (Sublessor) and THOMAS M. RENSHAW DBA AIRCRAFT CLEANING SERVICE, (Sublessee).

RECITALS

GIBBS FLYING SERVICE, INC. leases from the CITY OF SAN DIEGO Lots 1, 2 and a portion of Lot 21 of Montgomery Field under terms of a Lease Agreement (Master Lease) dated May 29, 1970, filed in the Office of the City Clerk as document No. 732107, as amended.

The original term of the Master Lease expired May 31, 1990 and was extended to May 31, 1995 by GIBBS FLYING SERVICE, INC. exercising the first of three five year options on August 28, 1989.

Sublessor and Sublessee have entered into a written Sublease Agreement, dated July 1, 1982, (the Sublease) whereby Sublessor leases to Sublessee those Premises, more fully described in Exhibit A and B in the Sublease, located on the GIBBS FLYING SERVICE, INC. leasehold pursuant to the terms of the Master Lease. Said Sublease was approved by the City of San Diego on October 29, 1982 and was extended by the FIRST AMENDMENT TO SUBLEASE AGREEMENT on June 1, 1989.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follow:

A. The term of this Sublease shall be amended and shall continue, unless otherwise agreed to in writing, until May 31, 1995 or until Sublessor's rights to the Premises are terminated pursuant to the terms of the Master Lease, whichever date or event first occurs.

B. The coverage for insurance against loss from public liability arising from the use, condition or operations conducted on the leased premises shall be amended and shall have a minimum coverage of \$1,000,000 combined single limit.

C. This Amendment shall inure to the benefit of and be binding upon the parties hereto, their successors, and assigns

The provisions of said Sublease are hereby modified only in these respects and the Sublease shall otherwise remain the same and in full force and effect.

In witness thereof, the parties have set their hand this 1st day of June, 1990.

SUBLESSOR:

GIBBS FLYING SERVICE, INC.

by: William W. Gibbs

SUBLESSEE:

THOMAS M. RENSHAW
DBA, AIRCRAFT CLEANING SERVICE

by: Thomas M. Renshaw

SECOND AMENDMENT TO SUBLEASE AGREEMENT

This SECOND AMENDMENT TO SUBLEASE AGREEMENT is made as of June 1, 1990, by and between GIBBS FLYING SERVICE, INC., (Sublessor) and THOMAS M. RENSHAW DBA AIRCRAFT CLEANING SERVICE, (Sublessee).

RECITALS

GIBBS FLYING SERVICE, INC. leases from the CITY OF SAN DIEGO Lots 1, 2 and a portion of Lot 21 of Montgomery Field under terms of a Lease Agreement (Master Lease) dated May 29, 1970, filed in the Office of the City Clerk as document No. 732107, as amended.

The original term of the Master Lease expired May 31, 1990 and was extended to May 31, 1995 by GIBBS FLYING SERVICE, INC. exercising the first of three five year options on August 28, 1989.

Sublessor and Sublessee have entered into a written Sublease Agreement, dated July 1, 1982, (the Sublease) whereby Sublessor leases to Sublessee those Premises, more fully described in Exhibit A and B in the Sublease, located on the GIBBS FLYING SERVICE, INC. leasehold pursuant to the terms of the Master Lease. Said Sublease was approved by the City of San Diego on October 29, 1982 and was extended by the FIRST AMENDMENT TO SUBLEASE AGREEMENT on June 1, 1989.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follow:

A. The term of this Sublease shall be amended and shall continue, unless otherwise agreed to in writing, until May 31, 1995 or until Sublessor's rights to the Premises are terminated pursuant to the terms of the Master Lease, whichever date or event first occurs.

B. The coverage for insurance against loss from public liability arising from the use, condition or operations conducted on the leased premises shall be amended and shall have a minimum coverage of \$1,000,000 combined single limit.

C. This Amendment shall inure to the benefit of and be binding upon the parties hereto, their successors, and assigns

The provisions of said Sublease are hereby modified only in these respects and the Sublease shall otherwise remain the same and in full force and effect.

In witness thereof, the parties have set their hand this 1st day of June, 1990.

SUBLESSOR:

GIBBS FLYING SERVICE, INC.

by: William A. Gibbs

SUBLESSEE:

THOMAS M. RENSHAW
DBA, AIRCRAFT CLEANING SERVICE

by: Thomas M. Renshaw

THIRD AMENDMENT TO SUBLEASE AGREEMENT

This THIRD AMENDMENT TO SUBLEASE AGREEMENT is made as of June 1, 1995, by and between GIBBS FLYING SERVICE, INC., (Sublessor) and THOMAS M. RENSHAW DBA AIRCRAFT CLEANING SERVICE, (Sublessee).

RECITALS

GIBBS FLYING SERVICE, INC. leases from the CITY OF SAN DIEGO Lots 1, 2 and a portion of Lot 21 of Montgomery Field under terms of a Lease Agreement (Master Lease) dated May 29, 1970, filed in the Office of the City Clerk as document No. 732107, as amended.

The original term of the Master Lease expired May 31, 1990 and was extended to May 31, 2000 by GIBBS FLYING SERVICE, INC. By exercising the second of three five year options to extend the lease term. The Master Lease will terminate May 31, 2005.

Sublessor and Sublessee have entered into a written Sublease Agreement, dated July 1, 1982, (the Sublease) whereby Sublessor leases to Sublessee those Premises, more fully described in Exhibit A and B in the Sublease, located on the GIBBS FLYING SERVICE, INC. leasehold pursuant to the terms of the Master Lease. Said Sublease was approved by the City of San Diego on October 29, 1982 and was extended by the FIRST AMENDMENT TO SUBLEASE AGREEMENT on June 1, 1989 and the SECOND AMENDMENT TO SUBLEASE AGREEMENT on June 1, 1990.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follow:

A. The term of this Sublease shall be amended and shall continue, unless otherwise agreed to in writing, until May 31, 2000 or until Sublessor's rights to the Premises are earlier terminated pursuant to the terms of the Master Lease, whichever date or event first occurs.

B. This Amendment shall inure to the benefit of and be binding upon the parties hereto, their successors, and assigns.

The provisions of said Sublease are hereby modified only in these respects and the Sublease, as amended, shall otherwise remain the same and in full force and effect.

In witness thereof, the parties have set their hand this 1st day of June, 1995.

SUBLESSOR:

GIBBS FLYING SERVICE, INC.

by: William E. Gih

SUBLESSEE:

THOMAS M. RENSHAW
DBA, AIRCRAFT CLEANING SERVICE

by: Thomas M. Renshaw

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc., (LESSEE) and filed in the office of the City Clerk as Document 732107, hereby consents to Second Amendment to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Thomas M. Renshaw dba Aircraft Cleaning Service (SUBLESSEE) dated May 15, 1989.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

THE CITY OF SAN DIEGO

Dated: July 20, 1990

By: Carole A. Brock

Carole A. Brock, SR/WA
Supervisor, Airports Leasing

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated: 7/25/90

By: [Signature]
Deputy

DE:jn
2ndamen.doc 1990



THE CITY OF

SAN DIEGO

AIRPORTS DIVISION • MONTGOMERY AND BROWN FIELDS

Main Office • Montgomery Field Administration Building

3750 John J. Montgomery Drive • San Diego, California 92123 • Phone (619) 236-6496

GENERAL SERVICES DEPARTMENT

TERRY FLYNN
DIRECTOR

August 10, 1990

Mr. William Gibbs
Gibbs Flying Service
8906 Aero Drive
San Diego, CA 92123

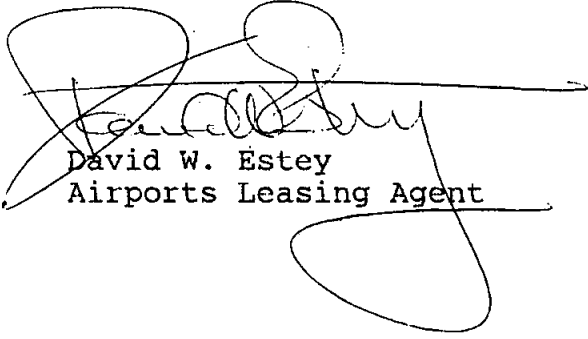
RE: Sublease Agreement - Thomas Renshaw dba
Aircraft Cleaning Service

Dear Mr. Gibbs:

Enclosed are executed "Consent to Sublease Agreement" forms for
above referenced lease.

Would you please make sure your subleasee does not use hazardous
or toxic liquid in performing his tasks.

Thank you.


David W. Estey
Airports Leasing Agent

Enclosures

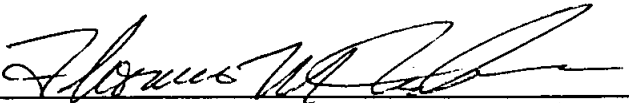
DWE:ph

Gibbs doc

ASSIGNMENT OF SUB LEASE

FOR VALUE RECEIVED, I, the undersigned THOMAS M. RENSHAW do hereby assign, transfer and set over unto:
FRANCISCO X. LUCERO
all my right, title and interest in and to that certain sub lease dated by and between GIBBS FLYING SERVICES as Sub Lessor;
and THOMAS M. RENSHAW as Lessee,
covering that certain property situated in the City of SAN DIEGO, County of SAN DIEGO, State of California and particularly described as:
SAN DIEGO
Together with all my right, and interest in and to prepaid rent and/or security deposit on said lease, if any.

Dated this 13 day of September, 1995.


THOMAS M. RENSHAW Assignor-Lessee

Assignor-Lessee

ACCEPTANCE OF ASSIGNMENT OF SUB LEASE

We/I, **FRANCISCO X. LUCERO** do hereby accept the above assignment and agree to be bound by all of the conditions and covenants contained in said lease, and I promise to pay the rent therein reserved in the manner and at the times therein specified.

Dated this 13 SEPT 95


FRANCISCO X. LUCERO Assignee-Lessee

Assignee-Lessee

CONSENT TO ASSIGNMENT OF SUB LEASE

I/We Gibbs Flying Service, Inc. Sub Lessor,
named in the foregoing mentioned lease, do hereby consent to the assignment as described above, on the understanding that all the terms, conditions, provisions and covenants of said sub lease shall remain and continue in full force and effect.

I/We also hereby certify the following:
Rent paid in advance in the sum of \$ 2500, is held by me,
A security deposit in the sum of \$ 0 is held by me,
Rent in the amount of \$ 250 has been paid to Sept 30, 1995 (date),
Common area maintenance fees in the amount of \$ 0, have been paid to N/A (date)
and are billed on a quarterly basis,
Real property taxes in the amount of \$ 0, have been paid to N/A (date)
and are billed on an annual basis,
Insurance is payable under the lease in the amount of \$ 0, and has been paid to N/A (date)
and is billed on a quarterly basis,
Rent is to be paid to Gibbs Flying Service, Inc.
at 8906 Aero Dr Telephone No. 619-277-0162

THIS ASSIGNMENT OF SUB LEASE SHALL ONLY BE EFFECTIVE AS OF CLOSE OF ESCROW NO. 95-34087-S

Dated this 13th day of September, 1995.

Gibbs Flying Service, Inc.
William L. Smith

Sub Lessor

Lessor

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc.

(LESSEE) and filed in the Office of the City Clerk as Document 732107, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Thomas M. Renshaw dba Aircraft Cleaning Service.

(SUBLESSEE) dated May 15, 1989. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

NONE

THE CITY OF SAN DIEGO

Dated 6/30/89

By Carole A. Brock
Carole A. Brock, SR/WA
Supervisor, Airports Leasing

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 7/21/89

By [Signature]
Deputy

GEK:mr
1989:consent

SUBLEASE AGREEMENT

This Sublease Agreement is executed in duplicate at San Diego, California, on July 1, 1982, between GIBBS FLYING SERVICE, INC., called Sublessor and THOMAS M. RENSHAW, DBA AIRCRAFT CLEANING SERVICE called Sublessee.

IT IS AGREED between the parties hereto as follows:

1. Description of premises. Sublessor leases to Sublessee, and Sublessee hires from Sublessor, on the terms and conditions hereinafter set forth, those certain premises together with all appurtenances thereto, situated in San Diego County, California, and described on Exhibit A.

2. Term. The term of this Sublease shall commence as of the date of this Sublease Agreement and unless otherwise agreed shall continue until May 31, 1987 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

3. RENT. On or before the 19th day of each month, Sublessee shall pay to Sublessor, without deduction of offset, whichever of the two amounts set forth below is the greater:

(a) That portion of the rent payable to the CITY OF SAN DIEGO by Sublessor which is attributable to Sublessee's gross income included within the meaning of Subparagraphs 1 through 7 on Page 2 of the Master Lease at the rate of 3% of gross revenues from aircraft cleaning trucks or

(b) Sublessee's pro rata share of the minimum annual rental payable to the CITY OF SAN DIEGO by the Sublessor as set forth in Subparagraph 8 on Page 2 of the Master Lease. Sublessee's pro rata share of the minimum annual rental shall be in the ratio that its gross income bears to the total gross income as that term is used in the Master Lease. ~~Any business between Sublessor and/or Sublessees shall not be considered a sale to the general public and shall not be included as a part of gross income as that term is used in the Master Lease.~~

4. Amortization of Leasehold Improvements and Utilities. In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of utilities, taxes, maintenance and similar service costs incurred by Sublessor and the amount necessary to amortize the improvements made by Sublessor on the premises described in Exhibit A. Such payments shall be made at the same time the rent is paid pursuant to Paragraph 3 and the Sublessee's share shall be determined annually on June 1 of each year.

5. Use. The premises are subleased to Sublessee for the general purpose of operation and maintenance of an aviation business. The specific uses for which the premises may be used are set forth on Exhibit B. Sublessee shall not use, or permit the premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the Sublessee uses the property for other than the specified purpose or purposes the Sublessor may treat the Sublease as terminated.

6. Alterations. Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained.

7. Entry by Owner. Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. Nonliability of Owner for Damage. As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof, Sublessee hereby covenanting and agreeing to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account of or arising out of any such injuries or losses however occurring.

9. Insurance. Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$500,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE" as additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to THE CITY OF SAN DIEGO by the insurance company.

10. Compliance with Law and High Business Standards.

Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. Assignment or Subletting. Sublessee shall not assign this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable, as to the interest of Sublessee, by operation of law, without the written consent of Sublessor and THE CITY OF SAN DIEGO.

12. Holding Over. Any holding over after the expiration of the term, with the consent of Sublessor, shall be construed

to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

13. Provisions of Master Lease. Sublessee acknowledges receipt of a copy of the Master Lease between THE CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC. (the Sublessor herein) dated May 19, 1970. Sublessee agrees to be bound by the terms and conditions of such Master Lease and to perform all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

14. Remedies of Sublessor. In the event of any breach of this Sublease by Sublessee, including the violation of any term or condition of the Master Lease, then Sublessor besides other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not Sublessee has violated any of the terms and conditions of this Lease or the Master Lease. Should Sublessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease or it may from time to time, without terminating this Sublease, relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor in its sole discretion may deem advisable with the right to make alterations and repairs to the premises; upon each such reletting Sublessee shall be immediately liable to pay to Sublessor, in addition to

any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs, incurred by Sublessor, and the amount, if any, by which the rent reserved in this Sublease for the period of such reletting (up to but not beyond the term of this Sublease) exceeds the amount agreed to be paid as rent for the demised premises for such period on such reletting.

15. Insolvency. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, or (b) a general assignment by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee under any insolvency or bankruptcy act shall constitute a breach of this Sublease by the Sublessee.

16. Binding on Successors. The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

17. Legal Proceedings. Should it become necessary for Sublessor or THE CITY OF SAN DIEGO to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

IN WITNESS WHEREOF, the Sublessor and the Sublessee have executed this Sublease as of the day and year first written above.

THE CITY OF SAN DIEGO

By

[Signature]
City Manager

GIBBS FLYING SERVICE, INC.

By

[Signature]
(Sublessor)

APPROVED as to form and legality this

29 day of Oct. 1982.

JOHN W. WITT, City Attorney

By

[Signature]
Deputy

By

[Signature]
(Sublessee)

EXHIBIT A - DESCRIPTION OF PREMISES

No real property tenancy is involved.

EXHIBIT B - SPECIFIC USES

A non-exclusive right to provide mobile aircraft cleaning services on Sublessor's Leasehold.

EXHIBIT B - SPECIFIC USES

A non-exclusive right to provide mobile aircraft cleaning services on Sublessor's Leasehold.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) and First Amendment entered into with Gibbs Flying Service, Inc. (LESSEE) and filed in the Office of the City Clerk as Documents 732107 and 748605, respectively, hereby consents to that certain Sublease Agreement between the LESSEE (SUBLESSOR) and Keith Roller d.b.a. Flying R Aviation (SUBLESSEE) dated March 1, 1995, attached hereto. Said Sublease shall be subordinate to the Master Lease in all respects.

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

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

According to CITY'S records, SUBLESSEE was operating its business on the master leasehold as early as January 1, 1995. Therefore, SUBLESSEE shall pay percentage rents, in accordance with the Master Lease, commencing retroactive on January 1, 1995. CITY shall issue a supplemental invoice to LESSEE for the percentage rents due on SUBLESSEE'S activities for the period of 1-1-95 through 2-28-95, which shall be due and payable 60 days after the invoice date.

THE CITY OF SAN DIEGO

Dated: 5/23/95

By: Carol A. Serin Acting
Airports Deputy Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated: 8/29/95

By: [Signature]

Deputy City Attorney

DOCUMENT NO. C-06253

FILED JUN 02 1995
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

SUBLEASE AGREEMENT

Whereas, Gibbs Flying Service, Inc., hereinafter referred to as Sublessor, desires to sublease a portion of its leasehold on Montgomery Field and,

Whereas, Keith Roller dba Flying R Aviation, hereinafter referred to as Sublessee, desires to sublease a portion of the Sublessor's premises and to operate an aircraft maintenance business on the subleased premises,

Therefore, Gibbs Flying Service Inc. and Keith Roller dba Flying R Aviation, have entered into and agreed to be bound by this Sublease Agreement, effective the first day of March 1995.

IT IS AGREED between the parties hereto as follows:

1. **DESCRIPTION OF PREMISES.** Sublessor leases to Sublessee, and Sublessee hires from Sublessor, on the terms and conditions hereinafter set forth, those certain premises together with all appurtenances thereto known as Port-A-Port #207, situated on the Gibbs Flying Service, Inc. Leasehold on Montgomery Field in San Diego County, California, and more fully described on Exhibit A.

2. **TERM.** The term of this Sublease shall commence as of March 1, 1995 and unless otherwise agreed, shall continue until February 28, 1996 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Lease Agreement, as amended, between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, a copy of which is on file with the Clerk in the City of San Diego as Document No. 732107 and the First Amendment to the Lease Agreement dated August 22, 1974, Document 748605.

3. **RENT.** On or before the 15th day of each month, Sublessee shall pay to Sublessor, without deduction of offset, that portion of the rent payable to the CITY OF SAN DIEGO by Sublessor that is attributable to Sublessee's gross income included within the meaning of Subparagraphs 1 through 7 on Page 2 of the Master Lease as Amended. Sublessee shall pay at the rate of 5% of Sublessee's gross revenues from aircraft maintenance, service, labor, parts, supplies and accessories that Sublessee sold or provided to the general public from the subleased premises or any of Sublessor's Premises.

4. **AMORTIZATION OF LEASEHOLD IMPROVEMENTS AND UTILITIES.** In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of premises utilities, taxes, maintenance and similar service costs incurred by Sublessor on the premises described in Exhibit A. Such payments shall be made on or before the first of each month, in advance, in accordance with the terms and conditions of the Hangar Rental Agreement, attached as Exhibit B, for the subleased premises.

5. **USE.** The Subleased Premises are subleased to Sublessee for the purpose of operating an aircraft maintenance business, including the maintenance and repair of aircraft, engines, parts and accessories and the sale of aircraft parts and accessories. Sublessee shall not use, or permit the premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the Sublessee uses the property for other than the specified purpose or purposes, then Sublessor may treat the Sublease as terminated.

6. **ALTERATIONS.** Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained.

7. **ENTRY BY OWNER.** Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. **NONLIABILITY OF OWNER FOR DAMAGE.** As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof, Sublessee hereby covenanting and agreeing to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account or of arising out of any such injuries or losses however occurring.

9. **INSURANCE.** Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$1,000,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE, INC." as additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to Gibbs Flying Service and THE CITY OF SAN DIEGO by the insurance company.

10. **COMPLIANCE WITH LAW AND HIGH BUSINESS STANDARDS.** Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. **HAZARDOUS MATERIALS.** Sublessee will not allow the release of hazardous substances in, on, about, under or from the Premise. For the purpose of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State's list of hazardous substances. A copy of the presently effective EPA and the State lists is on file in the City Clerk's Office as City Clerk Document 769704.

In the event of any release of a hazardous substance, Sublessee shall be responsible for all costs of remediation and removal of such substance in accordance with all applicable rules and regulations of governmental authorities.

Sublessee agrees to assume the defense of, indemnify and shall hold the City of San Diego and Sublessor harmless from any claim, costs and expenses related to environmental liabilities resulting from Sublessee's operations on the premises, including, but not limited to, costs of environmental assessments, cost of remediation and removal, any necessary response costs, damage for injury to natural resources or the public, and costs of any health assessments or health effect studies.

If Sublessee knows or has reasonable cause to believe that any hazardous substance has been released on, about or beneath the premises, Sublessee shall give written notice to the City Manager and Sublessor within five (5) days of receipt of such knowledge or cause or belief. Provided, however, if Sublessee knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, Sublessee shall notify the City Manager and Sublessor immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. Sublessee will notify the City Manager and Sublessor immediately of any notice of violation received or initiation of environmental action or private suites relative to the premises. In addition, Sublessee shall not utilize, store or sell any hazardous substances, other than engine oil and used engine oil, providing Sublessee has all required permits and approvals for same from the appropriate governmental agencies, on the property without the prior written consent of Sublessor. Sublessor recognizes and agrees that aircraft stored, maintained and serviced on the premises contain petroleum products and other materials and that the foregoing will not be deemed a violation of this section, so long as Sublessee abides by all applicable hazardous substance laws, rules, permits and regulations.

Notwithstanding the above, Sublessee shall not be responsible for any toxic waste or hazardous substances disposed of or discharged on the premises prior to the effective date of this sublease agreement.

12. **ASSIGNMENT OR SUBLETTING.** Sublessee shall not assign this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable as to the consent of Sublessor and THE CITY OF SAN DIEGO.

13. **SIGNS.** Sublessee shall be allowed one identification sign on the Subleased Premises with a maximum size of two square feet, subject to approval by the City of San Diego. No other signs or advertising on the Premises is permitted.

14. **HOLDING OVER.** Any holding over after the expiration of the term, with the consent of the Sublessor, shall be construed to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

13. **PROVISIONS OF MASTER LEASE.** Sublessee acknowledges receipt of a copy of the Master Lease, as Amended, between THE CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC. (the Sublessor herein) dated May 19, 1970. Sublessee agrees to be bound by the terms and conditions of such Master Lease and to perform all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

14. **REMEDIES OF SUBLESSOR.** In the event of any breach of this Sublease, including the violation of any term or condition of the Master Lease, the Sublessor, besides other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not Sublessee has violated any of the terms and conditions of this Lease or the Master Lease. Should Sublessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease or it may from time to time, without terminating this Sublease, relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor in its sole discretion may deem advisable with the right to make alterations and repairs to the premises; upon each such reletting Sublessee shall be immediately liable to pay to Sublessor, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs, incurred by Sublessor, and the amount, if any, by which the rent reserved in this Sublease for the period of such reletting (up to but not beyond the term of this Sublease) exceeds the amount agreed to be paid as rent for the demised premises for such period on such reletting.

15. **INSOLVENCY.** Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, or (b) a general assignment by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee under any insolvency or bankruptcy act shall constitute a breach of this Sublease by the Sublessee.

16. **BINDING ON SUCCESSORS.** The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

17. **LEGAL PROCEEDINGS.** Should it become necessary for Sublessor or THE CITY OF SAN DIEGO to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Lease, Sublessee agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

IN WITNESS WHEREOF, the Sublessor and the Sublessee have executed this Sublease as of the day and year first written above.

SUBLESSEE:

Keith Roller
Keith Roller, dba Flying R Aviation

Date: 5/1/95

Permanent
Address

13412 Turlock Ct.

City/St

San Diego CA 92129-2171

Phone

HM 619-538-6742
WK 538-4894

SUBLESSOR:

Gibbs Flying Service, Inc.
8906 Aero Drive
San Diego, CA 92123

Date: April 29, 1995

by: William Gibbs

its Vice President

EXHIBIT A - PREMISES

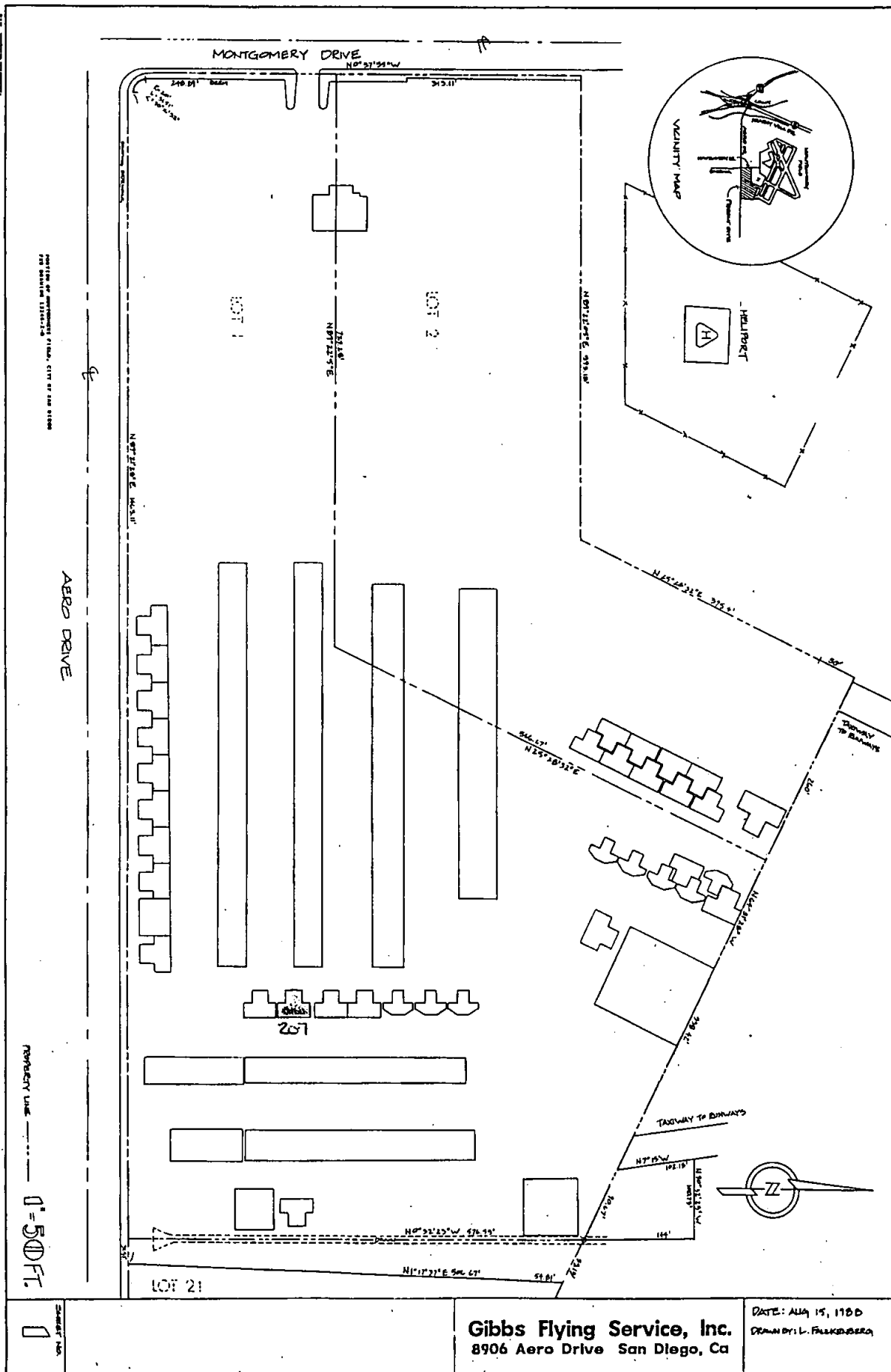


EXHIBIT - HANGAR RENTAL AGREEMENT

HANGAR RENTAL AGREEMENT

THIS AGREEMENT, made this 1st day of March, 1995 by and between Gibbs Flying Service, Inc., a California Corporation hereinafter referred to as "GIBBS", and Keith Rollan dba Flying R Aviation hereinafter referred to as "TENANT".

IT IS AGREED AS FOLLOWS:

1. That GIBBS owns, operates, leases and maintains a Fixed Base Operation at Montgomery Field that includes among other services the rental of hangar and tiedown spaces to individual aircraft owners and operators.

2. That TENANT is the registered owner, agent of owner, lessee or assignee of the following described aircraft:

AIRCRAFT REGISTRATION # N/A TYPE N/A

REGISTERED OWNER N/A

3. GIBBS hereby rents to TENANT, and TENANT hereby hires from GIBBS hangar number 207 at Gibbs Flying Service, Inc. Montgomery Field, for storage of the previously described aircraft in accordance with the terms and conditions of this Agreement and any other rules and regulations as may be imposed from time to time.

4. The term of this Agreement shall be a month to month occupancy, commencing on the first day of the month and ending on the last day of the month, provided, however, that this lease shall be automatically renewed for successive terms of the same length, unless either party gives the other party written notice of his intention to terminate the lease, which notice shall be given at least 30 days before the end of the term.

5. TENANT agrees that in consideration of the hangar provided, he will pay to GIBBS the sum of \$ 250⁰⁰ per month, payable in advance on the first of each month. Accounts will be termed delinquent after 10 days and will be charged a delinquency fee amounting to one and one half percent per month on all balances unpaid 30 days or more. Hangar rent is subject to adjustment at GIBBS discretion upon 45 days written notice to TENANT.

6. TENANT agrees that the sole purpose of this Agreement is to provide aircraft hangar storage space for the above described aircraft and its appurtenances. TENANT agrees that the aircraft will be used for his private business and pleasure uses only and that no commercial operations will be conducted from the rental premises. See Sublease Agreement Wg

7. TENANT agrees to keep the aircraft in an airworthy, operable condition while hangared at GIBBS. Hangar may be used for the minor maintenance, refurbishment or repair of aircraft so long as such maintenance, refurbishment or repair does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, storage of flammables, caustics, oxidizers, reactants or any hazardous materials is prohibited.

8. TENANT agrees to maintain a Public Liability and Property Damage insurance policy in force and effect during the term of this agreement with a minimum coverage for bodily injury and property damage liability of \$300,000.

9. TENANTS rights hereunder are personal to TENANT and may not be transferred or assigned to any other party during the term of this agreement. TENANT may substitute the previously described aircraft for other aircraft owned or controlled by TENANT upon written notice to GIBBS.

10. TENANT has inspected hangar, taxiways and related facilities and determined them suitable for his use and storage of his aircraft. Except for the sole negligence of GIBBS, TENANT agrees that GIBBS shall have no liability whatsoever for any loss of, or damage of whatsoever kind to said aircraft, equipment, appurtenances, or personnel, or any of them, whether caused by theft, fire, collision, or any other cause of any kind or nature whatsoever, or for the death of, or personal injuries to, members of his family, employees or other invitees, howsoever caused, occurring on said aircraft or any of the hangars, taxiways, access ways, roads, walks, equipment or premises belonging to GIBBS, or under control of GIBBS. Owner agrees to indemnify and hold harmless GIBBS and its officers, agents, employees from any matter, thing, or occurrence arising out of or relating to the operation, occupancy or possession by TENANT or his family, employees or invitees of any aircraft or vehicle or any hangar or tiedown facilities hereunder.

11. TENANT covenants and agrees with GIBBS to comply and faithfully observe all GIBBS Hangar and Tiedown Rules, and all applicable rules and regulations of any the Federal Aviation Administration, City of San Diego.

12. In the event of any controversy between parties hereto concerning this rental agreement, it is agreed that in the event litigation is filed that the prevailing party may be awarded and recover reasonable attorney fees.

By execution of this agreement TENANT acknowledges and agrees that he has read and approved this agreement and acknowledges receipt of a copy of the current Hangar and Tiedown Rules which are attached hereto.

By: _____
Tenant

By: William W Gibbs
Gibbs Flying Service, Inc.

Billing Name:

Keith L. Roller dba Flying R Aviation

Attention:

Address:

13412 Turlock Court

City: San Diego State: CA Zip: 92129-2171

Day Phone # 538-4894 Evening Phone # pg 494-3734

Attachment: Rules

SUBLEASE TERMINATION AGREEMENT

This Sublease Termination Agreement is made and entered into this 31 day of December 1995, by and between Gibbs Flying Service, Inc., Sublessor (Landlord) and R. F. Ridout and Company, Sublessee (Tenant).

RECITALS

Landlord and Tenant entered into a Sublease Agreement effective February 15, 1992, for the purpose of subleasing office space for Tenants aircraft insurance brokerage business. The Sublease was accepted and consent to Sublease was received from the City of San Diego on July 16, 1992. The Sublease term was extended until February 15, 1996.

On or about December 31, 1995 Tenant ceased doing business from the Subleased Premises and moved the aircraft brokerage business to the Aztec and Baron Agency in La Mesa California.

AGREEMENT

Now, Tenant and Landlord agree to mutually terminate the Sublease Agreement upon the following terms and conditions:

1. The Sublease Agreement and all provisions therein shall terminate December 31, 1995, hereinafter referred to as the "Termination Date".
2. Tenant agrees that the Subleased Premises will be vacated as of the Termination Date and left in a "broom clean" condition.
3. No further rent will be due or payable for the Subleased Premises beyond the Termination Date.

The Landlord and Tenant have executed this Sublease Termination Agreement as of the date first written above.

R. F. Ridout and Company
Tenant

By: R. F. Ridout

Gibbs Flying Service, Inc.
Landlord

By: [Signature]

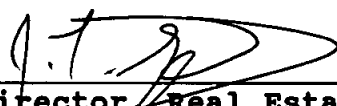
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CONSENT TO FIRST AMENDMENT TO SUBLEASE AGREEMENT

The CITY hereby approves the First Amendment to Sublease Agreement executed between Gibbs Flying Service (Sublessor) and R.F. Ridout and Company (Sublessee), attached hereto, which extends the expiration date of the sublease agreement to February 15, 1995.

THE CITY OF SAN DIEGO

Dated: 5/12/94

By: 
Director, Real Estate
Asset Management

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated: 5/13/94

By: 
Chief Deputy City
Attorney

ORIGINAL

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc., a California corporation (LESSEE) and filed in the Office of the City Clerk as Document RR-732107, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Murray H. Goodrich, (SUBLESSEE) dated August 30, 1995, attached hereto. Said Sublease shall subordinate to the Master Lease in all respects.

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

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

Dated

10/4/95

CITY OF SAN DIEGO

BY

[Signature]
Acting Real Estate
Assets, Director

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

BY

[Signature]
Chief Deputy City Attorney

Dated

10/30/95

DOCUMENT NO.

C-06649

FILED

NOV 9 1995

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

file: Goodrich.sbl

HANGAR SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 30th day of August, 1995, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, hereinafter, "Landlord", and Murray H. Goodrich, an individual, Sublessee, hereinafter, "Tenant".

2. MASTER LEASE.

A. This Sublease is subject and subordinate to all terms and conditions in the Lease Agreement (Master Lease) between the CITY OF SAN DIEGO (Master Lessor) and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107 and Document No. 748605.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event by Tenant that is deemed a breach, violation or default of the Master Lease Agreement.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Lessor (if given by Master Lessor in its sole discretion), attorn to the Master Lessor and recognize Master Lessor as Sublessor under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter the "Premises", of the Gibbs Flying Service Leasehold, located on Lots 1 and 2 of Montgomery Field, San Diego, California subject to the terms and conditions set forth herein.. The exact description and location of the Premises is indicated on Exhibit A attached. The Premises includes:

3.1 A sublease interest in 2500 sq. ft. of land on Landlord's premises on Montgomery Field and the exclusive right to build an aircraft storage hangar on that land. The subject aircraft hangar will be owned by the Sublessee for the term of the Sublease Agreement, and,

3.2 Normal and Reasonable vehicle, aircraft and pedestrian egress and ingress over the private roadways and aircraft taxiways (hereinafter, Common Areas) to the Premises on the Landlord's aviation facility on Montgomery Field. Landlord reserves the right to change or modify the to access to the Premises upon reasonable notice.

4. TERM. The term of this Sublease shall be concurrent with the term of the Master Lease Agreement, commencing on the first day of October 1995, and ending, unless sooner terminated under Paragraphs 17, 18 or 19 herein, on May 31, 2005.

4.1 Tenant shall have the option to renew this Sublease on the same terms and conditions as written herein, subject to Landlord either renewing, extending or replacing the Master Lease Agreement with an agreement for the same uses and with a new or additional term. Upon such event, within thirty days (30) notice of such renewal, extension or replacement of the Master Lease Agreement, Sublessee have the option to extend the Sublease term to be concurrent with the term of the renewed, extended or replaced Master Lease Agreement. Provided, however, upon Tenant's option to extend, Tenant's rent shall be adjusted and Tenant shall pay any increase in the monthly Sublease rent proportional to any increase or increases that Landlord shall pay to the City of San Diego for the Master Leasehold Premises under the renewed, extended or replaced agreement. Landlord agrees that any such increase to Tenant shall not exceed 25% of the monthly rent Tenant pays for the Subleased Premises to Landlord at the time of the option to extend.

5. RENT. Tenant shall pay Landlord as rent for the Premises, without any offset or deduction, in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of Two Hundred Dollars (\$200.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

5.1 UTILITIES. Tenant shall reimburse Landlord for common utilities delivered to Premises including, electricity, water and sewer, if provided. The reimbursement for utilities shall be deemed Additional Rent. Tenant shall utilize private meters to determine quantities of utilities provided, if available, or pay to Landlord a prorated share based upon agreed usage. Separately available utilities as telephone service and security monitoring will be at the sole cost and expense of Tenant. Said rent includes Tenant's reasonable use of Landlord's normal trash service at Landlord's designated trash collection facility.

5.2 TAXES. Tenant shall pay before they become delinquent all personal property taxes, assessments, or other charges levied or imposed by any governmental entity on the personal property placed by the Tenant in, on or about said Premises.

5.3 REAL PROPERTY TAXES. All real property taxes, possessory interest taxes and assessments levied or assessed against said Premises by any governmental entity, including special assessments imposed on or against said Premises for the construction or improvements of public works in, on, or about said Premises, shall be paid, before they become delinquent, by Landlord; provided however, that Tenant shall reimburse Landlord for all said property taxes and assessment attributable to the Premises. Tenant shall conduct no activity on said Premises nor place any articles on said Premises that will increase the real property taxes levied or assessed on Landlord's portions of the Master Lease Premises. Landlord shall invoice Tenant for its portion of said taxes, which invoice shall include a copy of said taxes. Tenant shall reimburse Landlord prior to the delinquency date for said taxes. Said reimbursement for taxes shall be deemed Additional Rent.

5.4 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84 = 100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5.4 A shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment. Any increase in monthly rent due to CPI adjustments per this section shall have a maximum adjustment percentage equal to the maximum adjustment percentage in the Master Lease Agreement.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department, bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

6. **POSSESSION.** If Landlord for any reason fails to deliver possession of the Premises to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Premises prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Premises and accepts the Premises "as is, where is."

7. **LIMITATION ON USE.** The Premises shall be used and occupied by Tenant for the construction of and the occupation of an aircraft storage hangar and for no other purpose without the prior written consent of Landlord and City. Tenant shall not cause, permit or allow:

A. Any storage, or maintain any products, items, materials or substances on the Premises, or conduct any activity in or about the Premises which may affect the rates or coverage of any casualty or liability insurance or premiums of Landlord; or

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the aviation facility; or

C. Any immoral or unlawful activity in or about the Premises, including, without limitation, any violation of any federal, state or local laws and regulations governing the Premises; or

D. Any waste in or about the Premises; or

E. Any commercial or business operations; or

F. Any deviation from those uses approved in the Master Lease.

7.1 **NONEXCLUSIVE USE OF COMMON AREAS.** Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or hangar use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses, hangars or other premises on the same nonexclusive use basis of the common areas as Tenant.

8. **OWNERSHIP OF IMPROVEMENTS.** All real property improvements, specifically the aircraft storage hangar building, foundation, interior improvements and utilities to the site, except trade fixtures or personal property, installed by Sublessee in accordance with the provisions of this Sublease shall become the property of the City of San Diego upon expiration of the Master Lease Agreement, free from any liens or encumbrances. In the event the Sublease shall expire or terminate prior to expiration of the Master Lease Agreement, said improvements shall become the property of Sublessor until the expiration of the Master Lease Agreement. Sublessee shall have the right to remove trade fixtures prior to termination of the Sublease at Sublessee's sole expense, providing that any damage to the remaining improvements shall be repaired and the Premises left in good order and condition, normal wear and tear excepted. In the event Sublessee does not remove said trade fixtures or personal property, Sublessor or the City of San Diego, as the successor owner of the improvements, may remove, sell or destroy the same at the expense of Sublessee, and Sublessee shall pay to Sublessor or City of San Diego, as the case may be, the entire cost of such removal, sale or destruction together with the entire cost of repairs or damage to said real property improvements. At the option of Sublessor or the City of San Diego, any trade fixtures or personal property, not so removed by Sublessee may be deemed abandoned, and shall become the sole and exclusive property of the successor owner.

9. **HAZARDOUS MATERIALS.** Other than approved personal or consumer quantities of agricultural, aviation, cleaning and maintenance chemicals and substances, Tenant shall not store, maintain, use or release deemed hazardous substances, chemicals, materials or wastes, on, above, in or under the Premises. For the purposes of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emptying, discharging, escaping or otherwise disposing of hazardous substances. "Hazardous Substances" shall mean those materials, wastes, or substances

listed by the Environmental Protection Agency in regularly released reports or any other substances incorporated into the State of California's list of Hazardous Substances.

In the event of any release of a Hazardous Substance, Tenant shall be responsible for all costs of remediation and removal of such substances in accordance with all applicable rules and regulations of governmental authorities having jurisdiction.

Tenant agrees to hold the City of San Diego and Landlord harmless, indemnify and assume the defense of, from any and all costs and expenses related to any environmental liabilities resulting from Tenant's occupancy or operations from the Premises, including but not limited to, costs of environmental assessments, remediation, removal, response, damage, injury or death to natural resources or the public and costs of any health assessment or study.

If Sublessee knows or has reasonable cause to believe that any hazardous substance has been released on or beneath the Premises, Sublessee shall give written notice to Sublessor within 5 days of receipt of such knowledge or belief. Provided, however, if Sublessee knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health or safety, Sublessee shall notify Sublessor immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. Sublessee shall notify Sublessor immediately of any notice or violation received or initiation of any environmental actions or private suits relative to the Premises.

10. REPAIRS AND ALTERATIONS.

A. By accepting possession of the Premises, Tenant shall have acknowledged that the Premises are in good and sanitary order and condition. Other than the aircraft storage hangar building which has been approved by Landlord, Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Premises without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Premises and Improvements thereon in good condition and repair, ordinary wear and tear excepted during the term of this Sublease. Tenant agrees to maintain the exterior paint and scheme in colors mutually agreeable to Landlord. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Premises to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Premises. Within thirty (30) days written notice from Landlord, Tenant shall perform whatever reasonable maintenance Landlord deems necessary. If such maintenance is not undertaken by Tenant within said thirty (30) day period, Landlord shall have the right, but not the obligation, to enter upon the Premises and perform the necessary maintenance, the cost of which shall be borne by the Tenant.

C. Landlord shall repair and maintain the common areas of the Master Leasehold surrounding the Premises, including but not limited to taxiways, roadways, parking lots, office lobbies and restroom facilities. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance to the common areas unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's occupancy arising from the making of any repairs, alterations or improvements in or to any portion of the Master Leasehold premises. Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

11. COVENANT AGAINST LIENS. Tenant shall keep the Premises free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Premises, or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Premises or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, to be capable of paying rent under this Sublease on a regular basis and (ii) a similar or greater level of experience in the permitted business uses as Tenant at the time Tenant executed this Sublease, and (iii) an excellent reputation for being honest and having a good moral character. The sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve Tenant of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$1000, plus any governmental fees, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord and City harmless from and against any and all claims arising from Tenant's use of the Premises and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Premises or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Premises from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **INSURANCE.**

A. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder.

B. Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of Fire and Extended Coverage Insurance on all insurable real property improvements on the Premises in an amount equal to 100% of the replacement cost. Any proceeds from a loss shall be payable jointly to the Tenant and Landlord. The proceeds shall be placed in a trust fund to be reinvested in rebuilding or repairing the damaged property. If there is a mortgage or encumbrance on the subleased property, the proceeds may be paid to the approved mortgagee or beneficiary so long as adequate provision has been made, and approved by Landlord, for the use of all proceeds for repair and restoration of damage or destroyed improvements on the Premises.

C. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Premises, a copy of the policies of insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord and meeting the requirements of the City of San Diego,

15. **RECONSTRUCTION.** In the event the Premises are damaged by fire or other perils covered by extended coverage, Tenant agrees to forthwith repair the same. This Sublease shall remain in full force and effect while repairs are being made.

In the event the Premises are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) require Tenant to repair or restore such damage, this Sublease continuing in full force and effect, or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Premises shall terminate on the date so specified in such notice, and those insurance proceeds, if any, shall be paid to and used by Landlord, at his option, to restore the Premises to the condition prior to commencement of this Sublease, or to replace the improvements with different improvements, with any remaining funds retained by Landlord. However, should Tenant elect to repair or restore improvements to the condition prior to the uninsured loss, then the Sublease shall remain in full force and effect.

Tenant shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage occurs during the last six (6) months of the term of this Sublease, but shall have the obligation to restore the Premises to the condition prior to commencement of the Sublease, with Landlord and City retaining all insurance proceeds, if any, in a trust fund to be reinvested in rebuilding or repairing the damaged property.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises, Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

16. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord, City of San Diego, or other governmental entities having jurisdiction and authority shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications in its rules. Landlord's current rules are attached as Exhibit B.

17. **ENTRY BY Landlord.** Landlord reserves and shall at any time and all times have the right to enter the Premises, inspect the same, to submit said Premises to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the common areas (including changing the size and location of any common areas and adding additional space or other rental areas)

that Landlord may deem necessary or desirable, without abatement of rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises and any other loss occasioned thereby.

18. DEFAULTS AND REMEDIES.

18.1 TENANT'S DEFAULT. The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay any rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Master Leasehold (other than the Premises subleased under this agreement or any other agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or
- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Premises.
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Premises, Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Premises for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Premises; fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord,

as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Premises, including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. **EMINENT DOMAIN.** If more than twenty-five percent (25%) of the Premises shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to its portion any and all awards which may be paid or made in connection with any taking of Landlord's interests in the Sublease estate, sublease income and common areas used by Sublessee. Tenant shall be entitled to its portion of any and all awards which may be paid or made in connection with any taking of Tenant's interest in the real property improvements of Tenant. Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Premises is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award.

20. **OFFSET STATEMENT.** Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises is a part.

21. **RIDERS.** Clauses, plats and riders, if any, signed by Landlord and Tenant, and currently affixed, are a part of this Sublease.
22. **WAIVER.** The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.
23. **NOTICES.** All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Premises, whether or not the Tenant has departed from, abandoned or vacated the Premises, or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.
24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.
25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.
26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.
27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.
28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by, or against, Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Premises and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.
29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.
30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the aviation facility. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. **SUBORDINATION, ATTORNMEN.** Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Premises, and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Premises, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Premises so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. **SIGNS.** No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Premises, or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. **INABILITY TO PERFORM.** This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

36. **NON-DISCRIMINATION.** Tenant shall not discriminate against any person or class of people by reasons of race, color, creed or national origin in the construction of the improvements or use of the premises.

37. RIGHT OF FIRST REFUSAL TO PURCHASE SUBLEASE. Should Tenant elect to sell or transfer ownership of this Sublease, during the term of this Sublease, or upon termination or cancellation hereof, Landlord shall have the first right to meet any benefit offers of sale on the same terms and conditions of such offer. On the failure of Landlord to meet such benefit offer within fourteen (14) day after receipt of written notice thereof from Tenant, Tenant shall be free to sell said Sublease, to such third party in accordance with the terms and conditions of the same offer refused by Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

By: William Gibbs

Date: 9-21-95

TENANT:
Murray H. Goodrich
110 West C Street, Suite 1800
San Diego, CA 92101

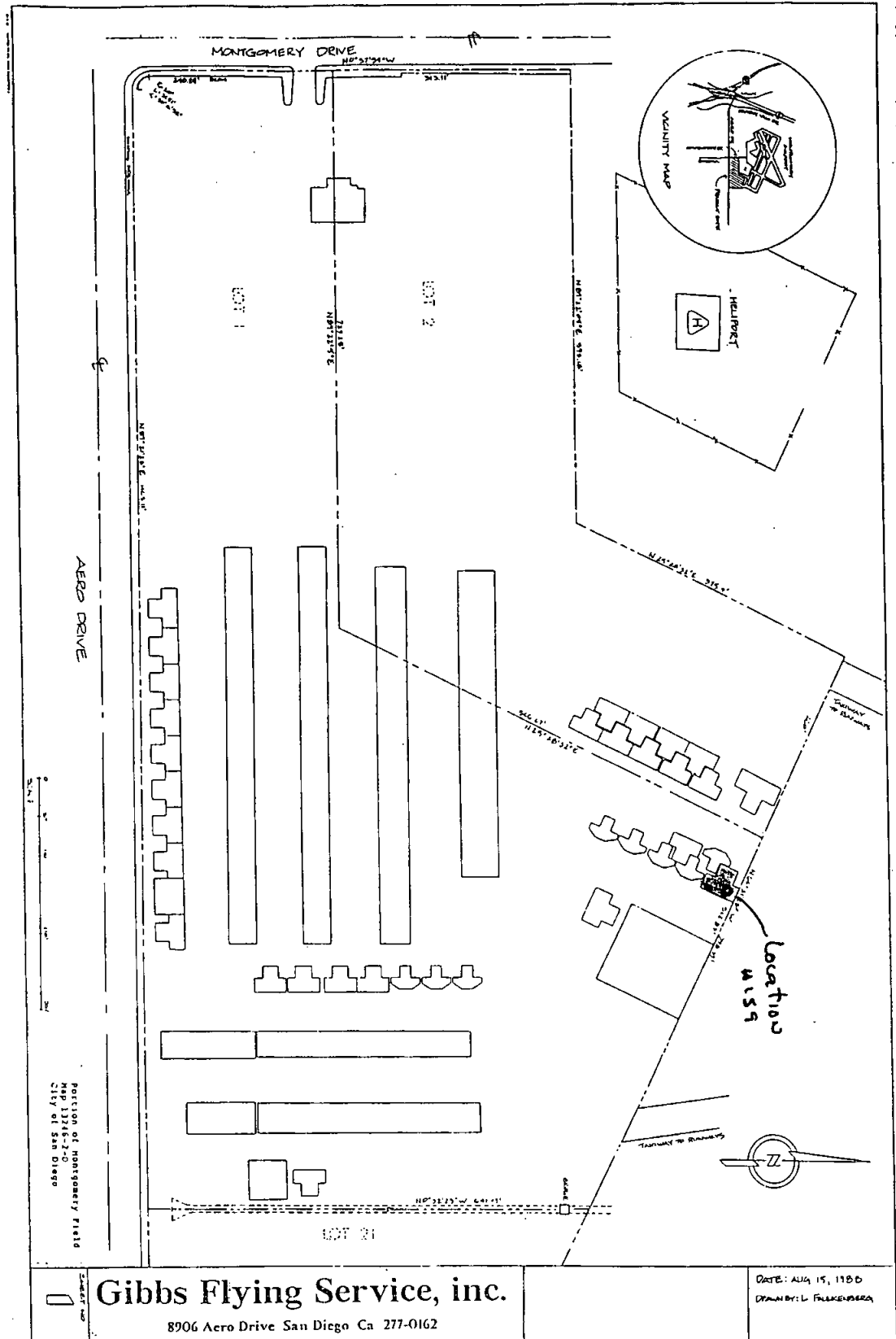
By: Murray H. Goodrich

Date: to 9/21/95

GFS\goodrich.lse

EXHIBIT A

Approximation location Hangar 159 To be determined by survey prior to commencement of construction.



File Legal
See 5.2

CONSENT TO FIRST AMENDMENT TO SUBLEASE AGREEMENT

The CITY hereby approves the First Amendment to Sublease Agreement executed between Gibbs Flying Service (Sublessor) and R.F. Ridout and Company (Sublessee), attached hereto, which extends the expiration date of the sublease agreement to February 15, 1995.

THE CITY OF SAN DIEGO

Dated: 5/12/94

By: [Signature]
Director Real Estate
Asset Management

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated: 5/13/94

By: [Signature]
Chief Deputy City
Attorney

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This FIRST AMENDMENT TO SUBLEASE AGREEMENT is made as of February 16, 1993, by and between Gibbs Flying Service, Inc., Sublessor, (Landlord) and R. F. Ridout and Company, Sublessee, (Tenant).

RECITALS

Landlord and Tenant have entered into a written Sublease Agreement, dated February 15, 1992, (the Sublease) whereby Landlord subleased to Tenant and Tenant subleased for Landlord those Premises, more fully described in Exhibit A of the Sublease, located on the Gibbs Flying Service, Inc., leasehold pursuant to the terms and conditions of the Lease Agreement between the City of San Diego and Gibbs Flying Service, Inc., dated May 19, 1970, as amended.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

A. The term of this Sublease Agreement shall be amended and shall continue, unless otherwise agreed to in writing, until February 15, 1995, or until Sublessor's rights to the premises are terminated pursuant to the terms of the Lease Agreement between the City of San Diego and Gibbs Flying Service, Inc., dated May 19, 1970, as amended.

B. This amendment shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

The provisions of said Sublease are hereby modified only in these respect and the Sublease shall otherwise remain the same and in full force and effect.

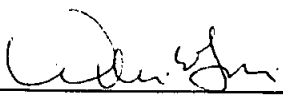
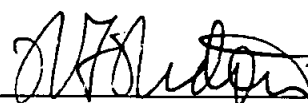
In Witness Whereof, the parties have set their hand this 5th day of February, 1993.

SUBLESSOR:

Gibbs Flying Service, Inc.

SUBLESSEE:

R. F. Ridout and Company


_____

EV-11
DUPLICATE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Gibb's Flying Service, Inc. (LESSEE) and filed in the Office of the City Clerk as Document RR-732107 hereby consents to that certain Sublease Agreement between the LESSEE (SUBLESSOR) and R.F. Ridout & Company (SUBLESSEE) dated February 15, 1992, attached hereto. Said Sublease shall be subordinate to the Master Lease in all respects, except SUBLESSEE shall pay CITY an annual permit fee in lieu of percentage rents, as specified in Paragraph 5.2 of the Sublease.

The CITY is merely approving the Sublease and the proposed "incidental" use, in compliance with Paragraph 1 of Master Lease, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

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

Dated: July 13, 1992

THE CITY OF SAN DIEGO

By: [Signature]
Airport's Operations
Manager, MYF

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 7/16/92

By: [Signature]
Deputy City Attorney

DOCUMENT NO. 769807

FILED JUL 21 1992
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

AVIATION OFFICE SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 15th day of February, 1992, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and R.F. Ridout & Company, a sole proprietorship, Sublessee, ("Tenant").

2. MASTER LEASE.

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "C", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM weekdays and 8:00 AM to 6:00 PM weekends. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. TERM. The term of this Sublease shall be one (1) year, commencing on the 15th day of February, 1992, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on February 15, 1993.

5. RENT. Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of Five Hundred Dollars (\$500.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. Tenant shall pay to the City of San Diego an amount of \$500.00 annually as a permit fee for Tenant to conduct an Aviation and General Insurance business from the Subleased Premises. Said Permit shall be in lieu of and exempt Tenant and Landlord from the requirement to pay the percentage rents as specified in Section of the Master Lease on Tenant's gross sales or commissions.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for an Aircraft Insurance Brokerage and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ Zero Dollars (\$0) as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required

of the Security Deposit is so used, retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. **RELOCATION.** Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. **REPAIRS AND ALTERATIONS.**

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. **COVENANT AGAINST LIENS.** Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, capable of paying rent under this Sublease on a regular basis and (ii) an excellent reputation for being honest and having a good moral character. The

sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve R.F. Ridout & Company of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit C.

16. **ENTRY BY LANDLORD.** Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. **RECONSTRUCTION.** In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. **DEFAULTS AND REMEDIES.**

18.1 **TENANT'S DEFAULT.** The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) sublease under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or

- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not

limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. EMINENT DOMAIN. If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. OFFSET STATEMENT. Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. RIDERS. Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. WAIVER. The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

23. NOTICES. All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMENT. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

TENANT:
R.F. Ridout & Company
405 W. Washington #404
San Diego, CA 92103

By: William W. Gibb

Date: 3/10/92

By: R.F. Ridout

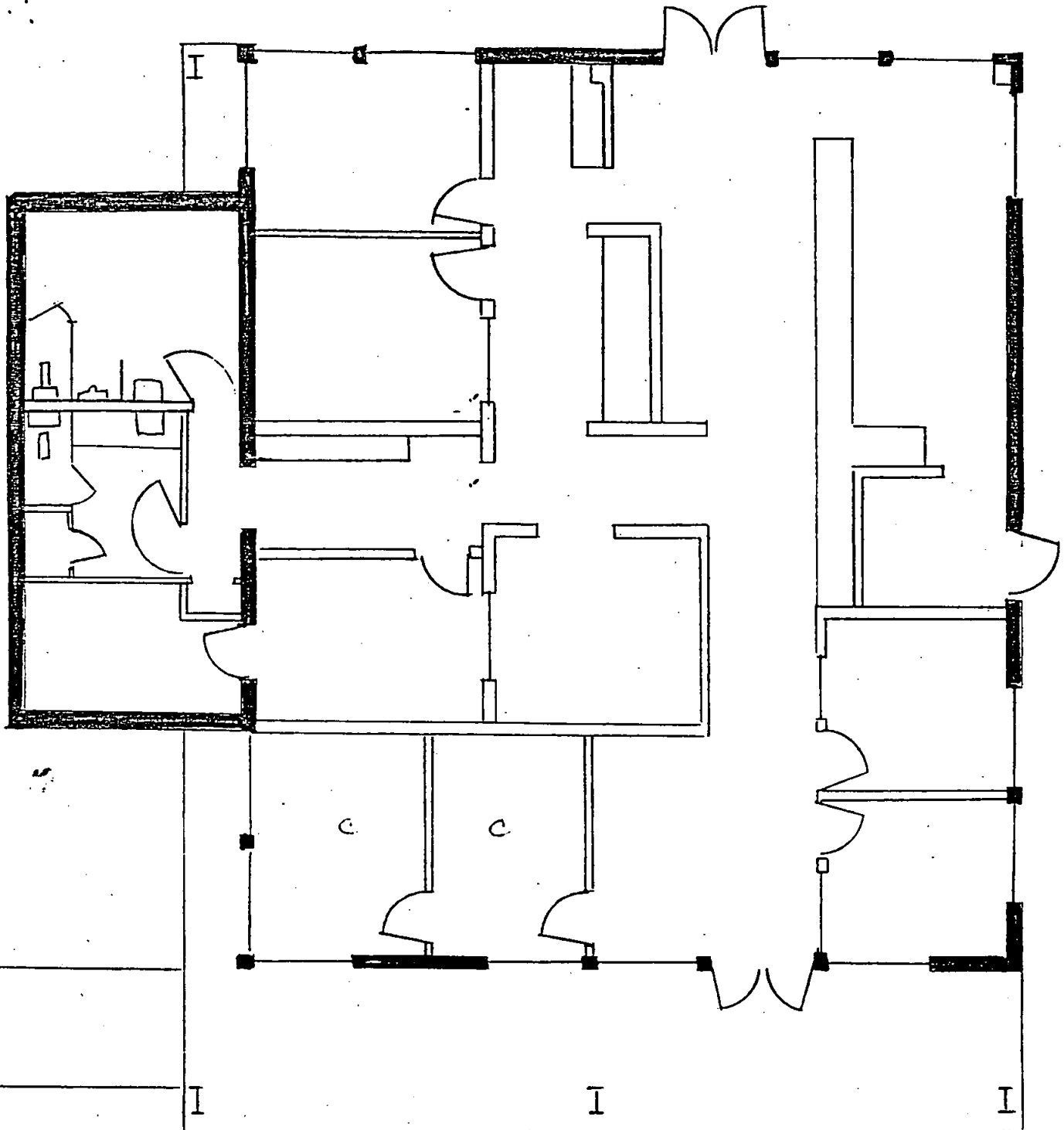
Date: 3/16/92

Approved by the City of San Diego

By: _____

Date: _____

EXHIBIT A



GIBBS FLYING SERVICE
Office Building



Exhibit "B" Rules and Regulations

GENERAL RULES

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such

Exhibit "B" Rules and Regulations

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by GIBBS for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at GFSAF must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of the GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This FIRST AMENDMENT TO SUBLEASE AGREEMENT is made as of February 16, 1993, by and between Gibbs Flying Service, Inc., Sublessor, (Landlord) and R. F. Ridout and Company, Sublessee, (Tenant).

RECITALS

Landlord and Tenant have entered into a written Sublease Agreement, dated February 15, 1992, (the Sublease) whereby Landlord subleased to Tenant and Tenant subleased for Landlord those Premises, more fully described in Exhibit A of the Sublease, located on the Gibbs Flying Service, Inc., leasehold pursuant to the terms and conditions of the Lease Agreement between the City of San Diego and Gibbs Flying Service, Inc., dated May 19, 1970, as amended.

Now, therefore, in consideration of the mutual covenants herein and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

A. The term of this Sublease Agreement shall be amended and shall continue, unless otherwise agreed to in writing, until February 15, 1995, or until Sublessor's rights to the premises are terminated pursuant to the terms of the Lease Agreement between the City of San Diego and Gibbs Flying Service, Inc., dated May 19, 1970, as amended.

B. This amendment shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

The provisions of said Sublease are hereby modified only in these respect and the Sublease shall otherwise remain the same and in full force and effect.

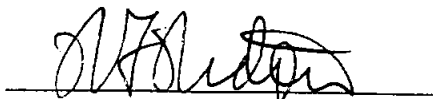
In Witness Whereof, the parties have set their hand this 5th day of February, 1993.

SUBLESSOR:

Gibbs Flying Service, Inc.

SUBLESSEE:

R. F. Ridout and Company



2/28 Renewed per Buzz
Gibbs - Asked for
evidence of
renewal.

DUPLICATE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Gibb's Flying Service, Inc. (LESSEE) and filed in the Office of the City Clerk as Document RR-732107 hereby consents to that certain Sublease Agreement between the LESSEE (SUBLESSOR) and Leo Steele (SUBLESSEE), dated March 1, 1991, attached hereto. Said Sublease shall be subordinate to the Master Lease in all respects.

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

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

THE CITY OF SAN DIEGO

Dated: 8/4/92

By: [Signature]
Airport's Operations
Manager, MYF

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 8/18/92

By: [Signature]
Deputy City Attorney

DOCUMENT NO 769808

FILED AUG 13 1992
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

gibbcons.sub

SUBLEASE AGREEMENT

Whereas, Gibbs Flying Service, Inc., hereinafter referred to as Sublessor desires to sublease a portion of it's leasehold on Montgomery Field and,

Whereas, Leo Steele, hereinafter referred to as sublessee, desires to sublease an aircraft hangar from Sublessor to operate an aircraft maintenance business,

Therefore Gibbs Flying Service Inc. and Leo Steele have agreed to be bound by this Sublease Agreement, effective this first day of March 1991.

IT IS AGREED between the parties hereto as follows:

1. Description of premises. Sublessor leases to Sublessee, and Sublessee hires from Sublessor, on the terms and conditions hereinafter set forth, those certain premises together with all appurtenances thereto, situated in San Diego County, California, and described on Exhibit A.

2. Term. The term of this Sublease shall commence as of March 1, 1991 and unless otherwise agreed shall continue until February 28, 1994 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Master Lease, as amended, between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

3. Rent. On or before the 19th day of each month, Sublessee shall pay to Sublessor, without deduction of offset, the amount set forth below:

(a) That portion of the rent payable to the CITY OF SAN DIEGO by Sublessor which is attributable to Sublessee's gross income included within the meaning of Subparagraphs 1 through 7 on Page 2 of the Master Lease at the rate of 3% of the gross revenues from aircraft maintenance and repair, parts and labor.

4. Amortization of Leasehold Improvements and Utilities. In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of utilities, taxes, maintenance and similar service costs incurred by Sublessor on the premises described in Exhibit A. Such payments shall be due and paid monthly in advance per a schedule determined each year on the anniversary date of this agreement.

5. Use. The premises are subleased to Sublessee for the general purpose of repairing and maintaining aircraft. The specific uses for which the premises may be used are set forth on Exhibit B. Sublessee shall not use, or permit the premises, or any part

thereof, to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the Sublessee uses the property for other than the specified purpose or purposes the Sublessor may treat the Sublease as terminated.

6. Alterations. Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained. Sublessee shall not install or permit any signs upon the Premises or common areas.

7. Entry by Owner. Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. Nonliability of Owner for Damage. As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof, Sublessee hereby covenanting and agreeing to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account or of arising out of any such injuries or losses however occurring.

9. Insurance. Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operations conducted on the leased premises. Minimum coverage shall be \$1,000,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE, INC." as additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to THE CITY OF SAN DIEGO by the insurance company.

10. Compliance with Law and High Business Standards. Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. Assignment or Subletting. Sublessee shall not assign

this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable as to the consent of Sublessor and THE CITY OF SAN DIEGO.

12. Holding Over. Any holding over after the expiration of the term, with the consent of the Sublessor, shall be construed to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

13. Provisions of Master Lease. Sublessee acknowledges receipt of a copy of the Master Lease between THE CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC. (the Sublessor herein) dated May 19, 1970. Sublessee agrees to be bound by the terms and conditions of such Master Lease and to perform all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

14. Remedies of Sublessor. In the event of any breach of this Sublease, including the violation of any term or condition of the Master Lease, the Sublessor besides other rights or remedies it may have, shall have the immediate right of re-entry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not Sublessee has violated any of the terms and conditions of this Lease or the Master Lease. Should Sublessor elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Sublease or it may from time to time, without terminating this Sublease, relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as Sublessor in its sole discretion may deem advisable with the right to make alterations and repairs to the premises; upon each such reletting Sublessee shall be immediately liable to pay to Sublessor, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs, incurred by Sublessor, and the amount, if any, by which the rent reserved in this Sublease for the period of such reletting (up to but not beyond the term of this Sublease) exceeds the amount agreed to be paid as rent for the demised premises for such period on such reletting.

15. Insolvency. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Sublessee, or (b) a general assignment by Sublessee for the benefit of creditors, or (c) any action taken or suffered by Sublessee

EXHIBIT A - DESCRIPTION OF PREMISES

Hangar 53, 8906 Aero Drive, San Diego, CA with egress and ingress across common area taxiways, roads and entry gates.

EXHIBIT B - SPECIFIC USES

A non-exclusive right to provide aircraft maintenance and repair services from the subleased premises on the Gibbs Flying Service leasehold, Montgomery Field, San Diego.

Carl Hays
SubleaseCity of San Diego
MEMORANDUM

DATE: July 30, 1993
TO: Freelance Flight Instructors
FROM: Deputy Director *B* Airports Division
SUBJECT: Commercial Operating Permit

The attached Commercial Operating Permit (COP) and accompanying COP Rules and Regulations are effective August 1, 1993. This memo and attached instructions are provided to facilitate your compliance.

By way of introduction, let me explain the reason for the permit. San Diego Municipal Code, paragraph 68.0121 states "No person shall engage in any business or commercial activity of any nature on an airport unless authorized by the City." This is interpreted to mean that individuals providing an aviation related service at Brown or Montgomery Field (i.e. flight instruction, aircraft maintenance, etc.), must be authorized to do so by the City (as long as financial compensation is received for providing that instruction).

FBO's and flight schools obviously have lease agreements with the City which covers this requirement. Freelance Flight instructors, however, do not have the authorization required by this paragraph. The issuance of the Commercial Operating Permit, provides this authorization. It effectively facilitates this type of service by freelance operators.

In effecting the COP, three concerns have surfaced; 1) the \$200 fee, 2) the requirement to secure insurance, and 3) the complexity of the COP itself. Regarding the latter, the permit has been revamped with a view to minimizing needless requirements and separating the "rules and regulations" from the Permit itself. This has resulted in a more streamlined document, and one we feel may be more acceptable to users. Regarding the issue of insurance, the City's Risk Management Department suggests this is not required but it is certainly recommended as a matter of prudence.

Regarding the \$200.00 fee, you may be pleased to know that Permittees can receive a \$100.00 fee reduction once they demonstrate to the satisfaction of Airport Management that noise abatement and quiet flying techniques are incorporated in your syllabus or training program.

The purpose of the COP is to provide a vehicle for flight instructors (and other freelance operators) to receive authorization to conduct their business when a formal lease is either inappropriate or too cumbersome. It serves to protect all parties involved. Your cooperation is appreciated.

COMMERCIAL OPERATING PERMIT

RULES AND REGULATIONS

1. Assignment and Sale

Permittee agrees that it will not sell, convey, transfer, pledge, or assign this Permit or any part hereof or any rights created hereby. Any attempted sale, conveyance, transfer, pledge or assignment of this Permit, or any rights of Permittee hereunder, shall be null and void, and shall be a material breach hereof and this Permit shall immediately and automatically terminate at the time Permittee sells, conveys, transfers, pledges or assigns this Permit.

2. No Interest in Real Property

Permittee agrees that this Permit constitutes merely a right to provide Services at the Airport and does not create or convey any interest in real property to Permittee.

3. Signs and Antennae

Permittee shall not post, install, erect or operate any sign, placard, poster, antenna or other device on any part of the Airport without the prior written permission of the City. Such signs and devices, as may from time to time be permitted by the City, shall be made, posted, maintained, and removed at Permittee's own cost and expense. The City shall have the right to remove unauthorized signs and devices at Permittee's expense.

4. Nondiscrimination

- a) Permittee, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree that (i) no person shall be excluded from participation in regard to the Services to be performed, denied the benefits of these Services, or be otherwise subjected to discrimination on the grounds of race, creed, color, national origin or sex shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination in the furnishing of Services, on the grounds of race, color or national origin, (iii) Permittee shall be 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 Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulation may be amended.
- b) Permittee shall furnish its Services at a fair, reasonable and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of Service, provided however, that Permittee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar types of price reductions to volume purchasers.
- c) Noncompliance with subparagraphs a) or b) above shall constitute a material breach hereof, and, in the event of such noncompliance, (i) the City shall have the right to terminate this Permit without liability therefore, or (ii) either Permittee or the United States shall have the right to judicially enforce subparagraphs a) or b).
- d) Permittee covenants that it shall furnish to the United States Government, or the City, whichever is required, any and all documents, reports and records; including but not limited to any affirmative action plan, Form EEO-1, the submission of which are required by 14 CFR Part 152, Subpart E.
- e) The Permittee assures that it will undertake any 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. Permittee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Permittee assures that it will require that its covered suborganizations provide assurances to the Licensee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

5. Rights Non-exclusive

Permittee hereby acknowledges that all rights and privileges granted hereunder are non-exclusive and the City reserves the right to authorize others to perform the same, or similar services, at its sole discretion.

6. Cessation of Services by Permittee

Upon the expiration or termination of this Permit, Permittee shall immediately cease performing all its services and related activities at the Airport. Further, Permittee shall remove all signs, material equipment, supplies and any other possessions and paraphernalia used or owned by Permittee within five (5) days of the expiration or earlier termination of this Permit and restore the location for the provision of Permittee's Services to its original condition. Upon Permittee's failure to remove as provided herein, Permittee hereby grants permission to the City for it to remove Permittee's possessions and those of others used by the Permittee, and Permittee agrees to pay all of the City's costs associated therewith.

7. Applicable Law

This Permit shall be governed and construed in accordance with the laws of the State of California.

8. Liabilities & Indemnities

The Permittee agrees to indemnify, save and hold harmless, the City (its officers, agents, servants and employees) of and from any and all costs, liability, damage and expense (including costs of suit and reasonable expenses of legal services) claimed or recovered, justly or unjustly, falsely, fraudulently or frivolously, by any person, firm or corporation by reason of injury to, or death of, any person or persons, including City personnel and damage to, destruction or loss of use of any and all property, including City property, arising from, or resulting from, any operations, works, acts or omissions of Permittee, its agents, servants, employees, contractors, sublessees or tenants. In any case in which such indemnification would violate the provisions of the City Code or the laws of the State of California or any other applicable legal prohibition, the foregoing provisions concerning indemnification shall not be construed to indemnify the City, its officers, employees or agents for damage arising out of bodily injury to persons or damage to property caused by or resulting from the negligence of the City, its officer, employees or agents. Upon the filing with the City by anyone of a claim for damages arising out of incidents for which the Permittee herein agrees to indemnify and hold the City harmless, the City shall notify the Permittee of such claim and in the event that the Permittee does not settle or compromise such claim, then the Permittee shall undertake the legal defense of such claim both on behalf of the Permittee and behalf of the City. It is specifically agreed, however, that the City at its own cost and expense, may participate in the legal defense of any such claim. Any judgment, final beyond all possibility of appeal, rendered against the City for any cause for which the Permittee is liable hereunder shall be conclusive against the Permittee as to liability and amount upon the expiration of the time for appeal.

9. Insurance

Permittee will evidence proof of a commercial general liability insurance policy in the amount of \$1,000,000 for the operation permitted herein. This insurance policy may be procured directly by Permittee, or can be substituted and evidenced by a policy of insurance on the individual aircraft.

10. Personal Conduct

- a) The operations of the Permittee, its employees, invitees and those doing business with it, shall be conducted in an orderly and professional manner so as not to annoy, disturb or be offensive to others at the Airport.
- b) If directed by the City, the Permittee shall provide and its employees shall wear or carry badges or other suitable means of identification.

11. Repairs to City Property

The Permittee shall promptly repair or replace all property of the City damaged by the operations of the Permittee to the satisfaction of the City. The Permittee shall not install any fixtures or make any alterations or improvements in or additions or repairs to any property of the City except with the prior written approval of the City.

COMMERCIAL OPERATING PERMIT

MONTGOMERY FIELD

By this Permit, between the City of San Diego, hereinafter the "City", and Carl W. Hays hereinafter, "Permittee", having offices/home address at 8951 Geraldine Ave, San Diego, Ca 92123 Permittee is authorized to perform the services set forth in Article I hereof at Montgomery Field, hereinafter, the "Airport" in consideration of the payment of fees set forth in Article 4 hereof and compliance with Airport Rules and Regulations and the terms and conditions of this Permit. Permittee's San Diego Business Tax Certificate Number is 95010678.

1. Services Authorized to be Performed

a) Permittee is authorized to provide the following commercial services (hereinafter, "Services") at the Airport:

☐ Flight Instruction
☐ Ground School

☒ Aircraft Maintenance & Repair
☐ Other:

b) In consideration of the granting of this Permit by the City, the Permittee agrees that it shall conduct its business and render its Services in a professional manner consistent with industry standards and sound business practices.

2. Location For The Performance of Services

The City, for reasons of public safety and consistent with its responsibility for the safe and efficient operation of the Airport, shall, designate and/or approve the location on the Airport from which Permittee will provide its Services. The location designated and approved for the provision of Services under this Permit is Gibbs Flying Service. If area is under lease to an existing tenant, Permittee must provide written evidence that leasee approves the above described use on leasee's leasehold.

3. Fee

Permittee shall pay a fee of \$200.00 for the cost of processing this permit and monitoring the permitted activity. Payment of the fee shall be by check or money order payable to the *City Treasurer* and mailed or delivered to the *Montgomery Field Airport Manager, 3750 John J. Montgomery Drive, San Diego, California, 92123*. The fee shall be paid annually in advance at the time of execution and delivery of this Permit by the Permittee to the City. No Permit shall be issued by the City, nor shall Permittee have the right to provide its Services at the Airport, until the fee is paid.

4. Term

The term of this Permit shall be for a period of one year, commencing 8 May, 19 97 and terminating 7 May, 19 98. The City may terminate this Permit if the Permittee fails to honor the terms and conditions hereof or violates any City law or regulation or commits any crime of moral or fails to render Services hereunder. If the Permittee violates the City Ordinance containing the Airport Rules and Regulations, the City at its sole discretion, shall have the right to immediately terminate this Permit and Permittee hereby consents that it will, upon such termination, immediately cease and desist from performing any further Services at the Airport.

5. Valid Agreement For Airport Space

Written permission from the City allowing the Permittee to utilize that area identified in article 3 for the provision of Services shall be granted via this permit.

6. Rules and Regulations and Compliance

a) Airport Rules and Regulations. From time to time the City may adopt and enforce rules and regulations with respect to the occupancy and use of the Airport. The Permittee agrees to observe and obey any and all such rules and regulations to include the attached Commercial Operating Permit rules and Regulations and all other applicable Federal, State and municipal rules, regulations and laws and to require its officers, agents,

employees, contractors, and suppliers, to observe and obey the same. This provision will include compliance with the Airport's Noise Abatement Plan, as promulgated.

- b) Access. The City reserves the right to deny access to the Airport and its facilities to any person, firm or corporation that fails or refuses to obey and comply with such rules, regulations or laws.
- c) Licenses, Certificates and Permits. Permittee shall obtain all licenses, certificates, permits or other authorization from all governmental authorities having jurisdiction over the Permittee's activities at the Airport and provide copies thereof to the City. Permittee shall pay all taxes, license, certification, permit and examination fees and excise taxes which may be assessed, levied, exacted or imposed on any of its property or in connection with the provision of Services at the Airport.

7. Notice

All notices, consents and approvals required or desired to be given by the parties hereto shall be sent in writing; and shall be deemed sufficiently given when same is personally delivered or deposited in the United States Mail, registered or certified mail, return receipt requested, addressed to the recipient, at the address set forth below:

To the City: Airport Manager
 Montgomery Field
 3750 John J. Montgomery Dr.
 San Diego, CA. 92123

To Permittee:

Carl W Mays
8951 Geraldine Ave,
San Diego, Ca 92123

8. Integration

No change or modification of any of the covenants, terms or provisions hereof shall be valid unless in writing and signed by the parties hereto.

There are no understandings or agreements of any kind between the parties hereto, verbal or otherwise, other than as set forth herein. All additions, changes or deletions herein were made prior to execution by either party, except that additions, changes or deletions made after execution by one party and before execution by the other shall be marginally initialed by both parties.

IN WITNESS WHEREOF, the parties hereto have signed this Permit as of the day and year first above written.

Applicant

THE CITY OF SAN DIEGO

Attest

Carl Mays

BY:

[Signature]
Authorized Officer

Attest

BY:

Authorized Officer

DUPLICATE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Gibb's Flying Service, Inc. (LESSEE) and filed in the Office of the City Clerk as Document RR-732107 hereby consents to that certain Sublease Agreement between the a LESSEE (SUBLESSOR) and Don Thornton, dba Don Thornton Aircraft, an Individual Proprietorship (SUBLESSEE), dated June 29, 1992, attached hereto. Said Sublease shall subordinate to the Master Lease in all respects.

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

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

THE CITY OF SAN DIEGO

Dated: August 24, 1992

By: [Signature]
Airport's Operations
Manager, MYF

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 8/26/92

By: [Signature]
Deputy City Attorney

DOCUMENT NO 769809
FILED AUG 31 1992
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

gibbcons.sub

AVIATION OFFICE SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 29th day of June, 1992, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and Don Thornton DBA Don Thornton Aircraft, an Individual Proprietorship, Sublessee, ("Tenant").

2. MASTER LEASE.

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "B", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM weekdays and 8:00 AM to 6:00 PM weekends. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. TERM. The term of this Sublease shall be one (1) year, commencing on the 1th day of July, 1992, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on June 30, 1993.

5. RENT. Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of two hundred fifty dollars (\$250.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. Tenant shall pay to the Landlord on or before the 20th of each month the percentage rent for the previous month as required by the Lease Agreement between Landlord and the City of San Diego, dated May 19, 1970, as amended, plus an amount equal to ten (10) percent of the percentage rent and Landlord shall, upon receipt of such payment, make the appropriate payment to the City of San Diego. For example, the percentage rent payable on owned aircraft sold is $1\frac{1}{2}$ of 1% of the gross sales price plus 10% (\$100,000 sales price times .5% equals \$500.00 plus 10% for a total of \$550.00) and the percentage due on brokered aircraft is 5% of the gross commission (\$5,000.00 commission times 5% equals \$250.00 plus 10% for a total of \$275.00). Tenant shall maintain any and all records required by said Lease Agreement, as amended, and agrees to hold Landlord harmless for any error or omission of Tenant in the payment, reporting or recording required by said Lease Agreement and Tenant further agrees to pay any and all penalties, interest or sums of money required by the City of San Diego for such error or omission, including the delinquent payment of percentage rent, provided however, Tenant shall not be responsible for any delays or omissions caused by Landlord.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for an Aircraft Sales and Brokerage Business and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ 0 as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit on account of Tenant's default. If any portion of the Security Deposit is so used, retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. RELOCATION. Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. REPAIRS AND ALTERATIONS.

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. COVENANT AGAINST LIENS. Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, to be capable of paying rent under this Sublease on a regular basis and (ii) a similar or greater level of experience in the permitted business uses as Tenant at the time Tenant executed this Sublease, and (iii) an excellent reputation for being honest and having a good moral character. The sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve Tenant of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten

(10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit B.

16. **ENTRY BY LANDLORD.** Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement of rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. **RECONSTRUCTION.** In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. **DEFAULTS AND REMEDIES.**

18.1 **TENANT'S DEFAULT.** The occurrence of any one or more of the following events shall

constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay any rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) subleased under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease or Master Lease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or.
- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus

3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus

4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. **EMINENT DOMAIN.** If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. **OFFSET STATEMENT.** Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. **RIDERS.** Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. **WAIVER.** The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding

breach at the time of the acceptance of such rent.

23. **NOTICES.** All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due

date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMENT. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

TENANT:
Don Thornton DBA Don Thornton Aircraft
10387 Ahern Ct
San Diego, CA 92126

By: William C. H. H.

By: H. Thornton

Date: June 30, 1992

Date: July 1, 1992

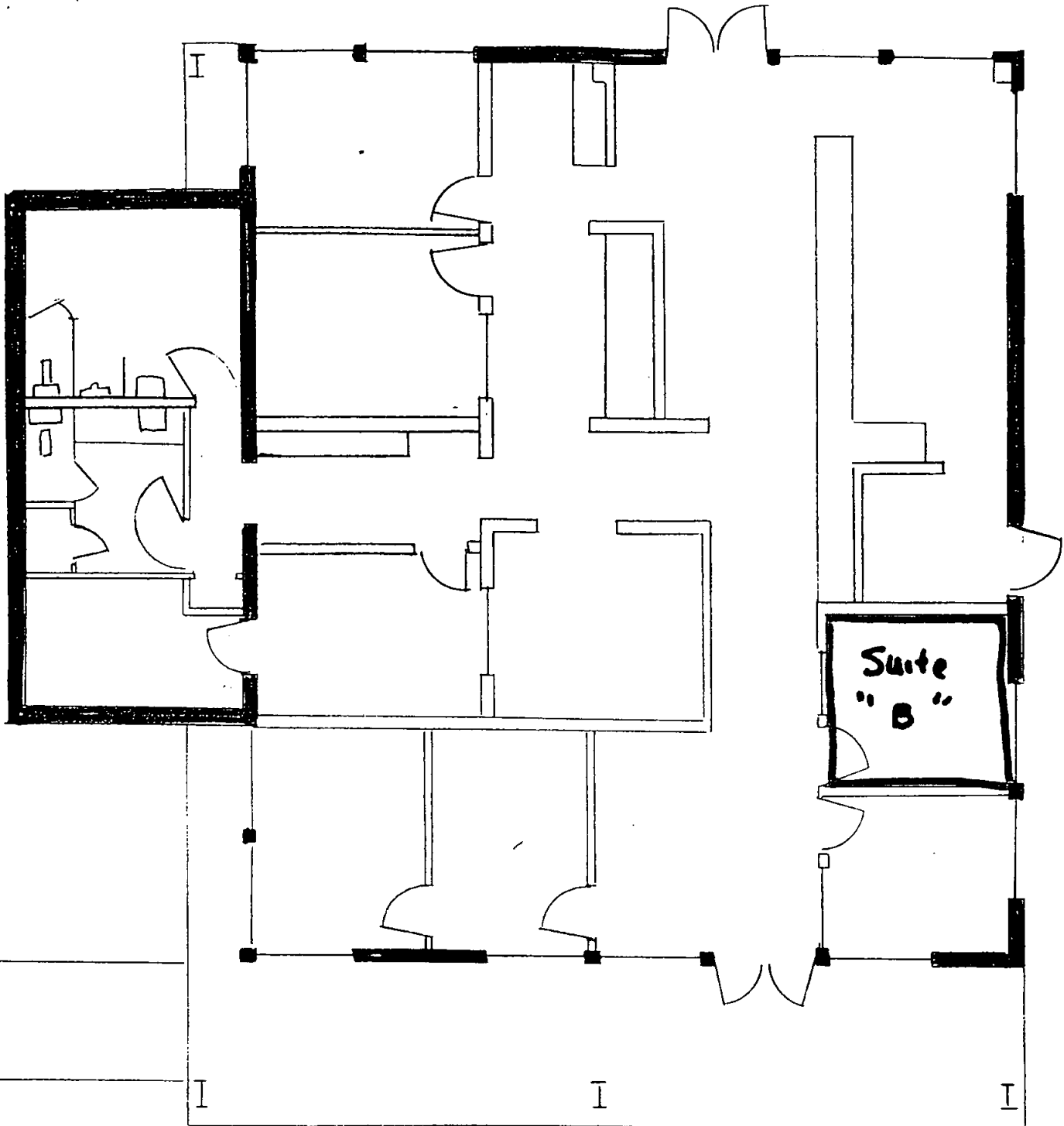
Approved by the City of San Diego

By: _____

Date: _____

GFS\offsub.LSE

Exhibit "A" Premises



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive



GENERAL RULES

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by GIBBS for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at GFSAF must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of the GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

CITY OF SAN DIEGOCONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Gibbs Flying Service, Inc., A California Corporation (LESSEE) and adopted by the City Manager on May 19, 1970 and filed as Document No. 732107 in the Office of the City Clerk of the City of San Diego and amended by a First Amendment dated August 22, 1974 and filed as Document No. 748605 in the Office of the City Clerk of the City of San Diego, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and San Diego Flight Training International Inc., a California Corporation (SUBLESSEE) dated March 10, 1992 and effective March 1, 1992.

Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

THE CITY OF SAN DIEGO

Dated: 4/2/92

By: Carole P. Herrin
Carole Herrin, SR/WA
Supervisor, Airports Leasing

APPROVED AS TO FORM;

JOHN W. WITT, CITY ATTORNEY

Dated: 3/24/92

By: J. H. Waddy
Deputy City Attorney

DE/de

pc: Property Director
Assistant Property Director
Deputy Property Director/Property Management
Deputy Director/ Airports
Manager, Airports Properties
Lease Billing Supervisor
Audit Department

First Amendment to Sublease Agreement

Paragraph 5.2 in the Office Sublease Agreement is hereby deleted in its entirety and is replaced by the following:

5.2 Percentage Rent Under Master Lease. Tenant shall pay to the Landlord the percentage rent required by the Lease Agreement between Landlord and the City of San Diego, dated May 19, 1970, as amended, on or before the 20th day of the calendar month following the calendar month in which the gross income was earned the amounts set forth below:

A. That portion of the rent payable to the City of San Diego by Tenant which is attributable to Tenant's gross income generated while using or occupying City property at Montgomery Field, including within the meaning of subparagraphs 1 through 7 of the Master Lease at the rate of 2-1/2 percent of gross revenues from aircraft rental, flight instruction, ground instruction and any other aviation activities conducted on or from the subleased premises.

B. Income generated from activities off City property is not to be included in computing Tenant's gross income. Tenant agrees to maintain adequate financial records and record keeping to allow City Auditor to verify income sources if deemed necessary.

C. Tenant agrees to pay to Landlord, as additional rent, an amount equal to Ten (10%) percent of the percentage rent due to the City of San Diego from subparagraph 5.2 A. above. Tenant further agrees to pay any and all penalties, interest or sums of money required or imposed by the City of San Diego for such errors or omissions, including the delinquent payment of percentage rent, and agrees to hold Landlord harmless for any error or omission of Tenant in the payment, reporting or recording required by said lease Agreement. Tenant shall not be responsible for any delays or omissions caused by Landlord.

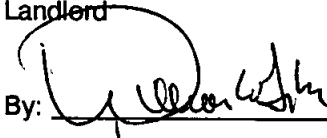
The following paragraph is to be included as a part of the Office Sublease Agreement.

36. COMPLIANCE WITH LAW AND HIGH BUSINESS STANDARDS. Tenant shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may be hereafter in force. In addition, the Tenant shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business or Landlord or any other of its tenants.

IN WITNESS WHEREOF, the Landlord and the Tenant have executed this First Amendment to the Office Sublease Agreement, dated February 28, 1992, as of the date and year written below.

GIBBS FLYING SERVICE, INC.

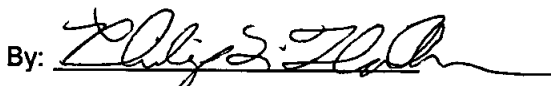
Landlord

By: 

Date: 3/10/92

SAN DIEGO FLIGHT TRAINING INTERNATIONAL, INC.

Tenant

By: 

Date: 2/25/92

OFFICES SUBLEASE AGREEMENT

1. **PARTIES.** This Sublease is made and entered into this 28th day of February, 1992, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and San Diego Flight Training International Inc., a California Corporation, Sublessee, ("Tenant").

2. **MASTER LEASE.**

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. **PREMISES.** Landlord subleases to Tenant and Tenant subleases from Landlord portions (hereinafter "Office(s)") of Gibbs Flying Service Executive Office Building (hereinafter "Suites"), located at 3717 John J. Montgomery Drive, San Diego 92123. The exact description and location of the Office(s) is indicated on Exhibit "A" attached. The Office(s) include:

3.1 An exclusive right to occupy Office(s) Suite(s) "A";

3.2 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. **TERM.** The term of this Sublease shall be one (1) year, commencing on the 1st day of March, 1992, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on February 28, 1993.

5. **RENT.** Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of Two Hundred Fifty Dollars (\$250.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 **Annual Rent Adjustments.**

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third

month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 Percentage Rent Under Master Lease Agreement. Tenant shall pay to the Landlord the percentage rent required by the Lease Agreement between Landlord and the City of San Diego, dated May 19, 1970, as amended, plus an amount equal to ten (10) percent of the percentage rent and Landlord shall, upon receipt of such payment, make same to the City of San Diego. Tenant shall maintain any and all records required by said Lease Agreement, as amended, and agrees to hold Landlord harmless for any error or omission of Tenant in the payment, reporting or recording required by said Lease Agreement and Tenant further agrees to pay any and all penalties, interest or sums of money required by the City of San Diego for such error or omission, including the delinquent payment of percentage rent, provided however, Tenant shall not be responsible for any delays or omissions caused by Landlord.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for Flight Training, Aircraft Rental and Charter and other uses normally associated with a flight training operation and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office;

C. Any immoral or unlawful activity in or about the Office (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office; or

E. Any deviation from those uses approved in the Master Lease.

7.1 Nonexclusive Use of Premises. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ _____ Dollars (\$ _____) as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit on account of Tenant's default. If any portion of the Security Deposit is so used,

retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. **RELOCATION.** Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Suites, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. **REPAIRS AND ALTERATIONS.**

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) or Suites without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Suites, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s) or Suites. Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. **COVENANT AGAINST LIENS.** Tenant shall keep the Suites free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, capable of paying rent under this Sublease on a regular basis and (ii) an excellent reputation for being honest and having a good moral character. The

sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve San Diego Flight Training International, Inc. of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Suites or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Suites from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit "B".

16. **ENTRY BY LANDLORD.** Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) or any portion of the Suites (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. **RECONSTRUCTION.** In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) or the Suites are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) or Suites when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. **DEFAULTS AND REMEDIES.**

18.1 **Tenant's Default.** The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Suites (other than the Office(s)); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or

- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 Remedies. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting. Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting

to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. EMINENT DOMAIN. If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Suites, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. OFFSET STATEMENT. Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. RIDERS. Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. WAIVER. The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

23. NOTICES. All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Suites. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMENT. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), the Suites, or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:

TENANT:

GIBBS FLYING SERVICE, INC.
a California Corporation

SAN DIEGO FLIGHT TRAINING INST.

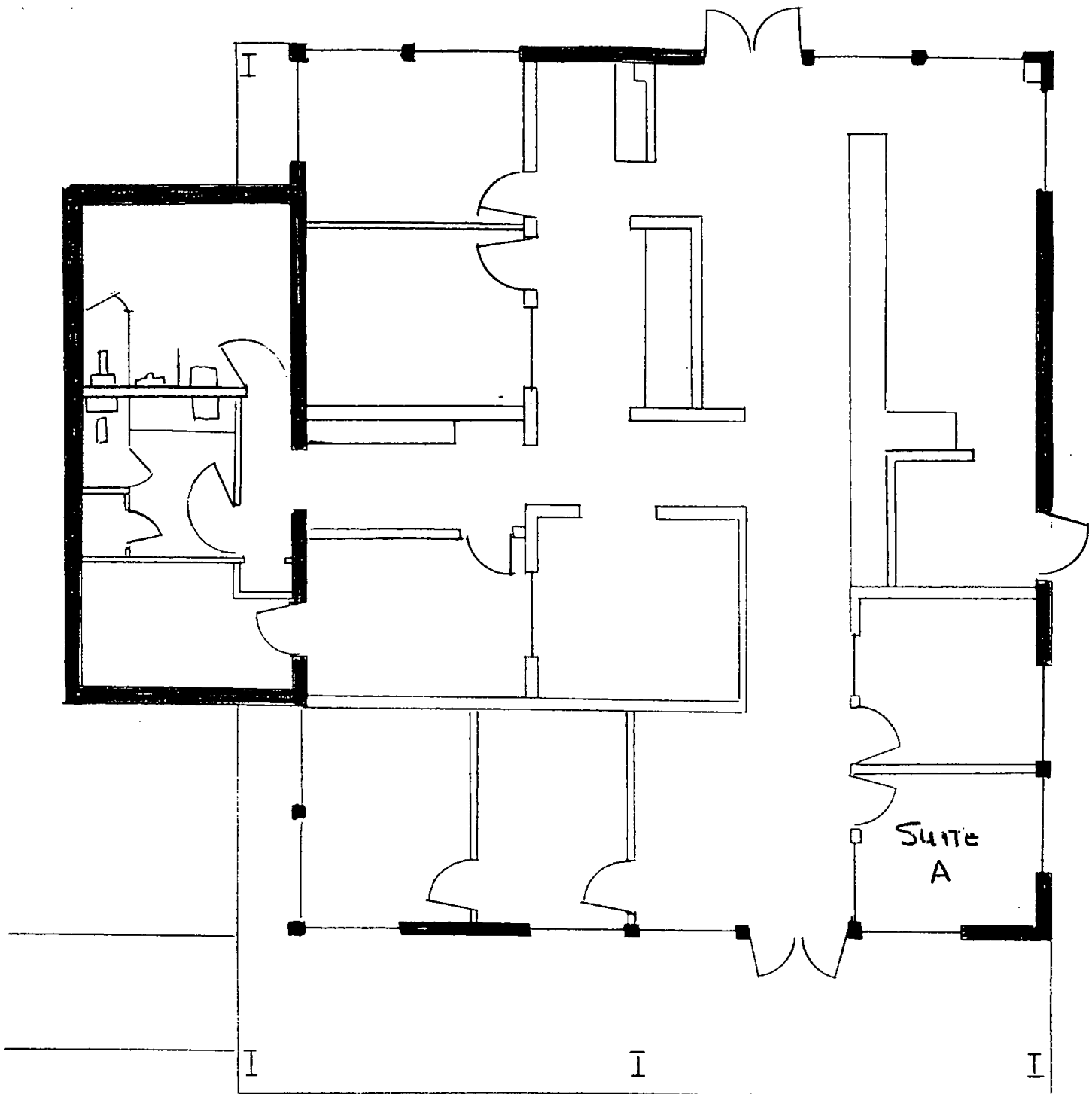
By: William E. Gibb

By: Rick Morrison

Date: 3/10/92

Date: 3-19-92

Exhibit "A" Premises



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive



GENERAL RULES

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by GIBBS for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at GFSAF must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of the GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

Whittaker

SUBLEASE AGREEMENT

Whereas, Gibbs Flying Service, Inc., hereinafter referred to as Sublessor, desires to sublease a portion of it's leasehold on Montgomery Field and,

Whereas, David Parish-Whittaker, DBA Taildragger Adventures, hereinafter referred to as Sublessee, desires to sublease a portion of the Sublessor's premises and to operate an aircraft aerobatic training and aircraft ride business from the subleased premises.

Therefore, Gibbs Flying Service Inc., Sublessor, and David Parish-Whittaker, DBA Taildragger Adventures, Sublessee, have entered into and agreed to be bound by this Sublease Agreement, effective the fourteenth day of August 1995.

IT IS AGREED between the parties hereto as follows:

1. **DESCRIPTION OF PREMISES.** Sublessor leases to Sublessee, and Sublessee hires from Sublessor, on the terms and conditions hereinafter set forth, those certain premises (Subleased Premises) together with all appurtenances thereto, situated on the Gibbs Flying Service, Inc. leasehold on Montgomery Field in San Diego County, California, and more fully described on Exhibit A.

2. **TERM.** The term of this Sublease shall commence as of August 14, 1995 and unless otherwise agreed, shall continue until December 31, 1996 or until Sublessor's rights to the premises are terminated pursuant to the terms of the Lease Agreement, as amended, between the City of San Diego and Gibbs Flying Service, Inc., dated May 19, 1970, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

3. **RENT.** In order to reduce the City of San Diego's expenses for auditing percentage rents and to be compatible with the City's change to fixed rental rates, Sublessee shall pay to the City annually a fee in the amount of \$500 for a permit to operate the aviation business authorized under this agreement in lieu of the percentage rents due on the gross revenues per the Lease Agreement. Should the annual permit not commence on the first day of the year, the annual permit fee shall be prorated for the remaining term of the year. If Sublessee shall cease doing business from Montgomery Field during a calendar year or this Sublease is terminated for whatever reason, the City of San Diego shall not be required to reimburse Sublessee the prorated unused portion of the annual fee paid for the full calendar year.

Lease requires a Sublessee and Percentage rents

4. **AMORTIZATION OF LEASEHOLD IMPROVEMENTS AND UTILITIES.** In addition to the rent to be paid by the Sublessee pursuant to the provisions of Paragraph 3 of this Sublease Agreement, Sublessee shall pay Sublessor its share of premises improvements

amortization, utilities, taxes, maintenance and similar service costs incurred by Sublessor on the premises described in Exhibit A. Such payments shall be made on or before the first of each month, in advance, in accordance with the terms and conditions of the Shelter Hangar Rental Agreement, attached as Exhibit A, for the subleased premises. Said Shelter Hangar Rental Agreement may be substituted for, replaced or canceled without voiding this Sublease Agreement.

5. **USE.** The Subleased Premises are subleased to Sublessee for the general purpose of operating an aviation business. Sublessee shall not use, or permit the premises, or any part thereof, to be used for any purpose or purposes other than those set forth in Exhibit B. If the Sublessee uses the property for other than the specified purpose or purposes, then Sublessor may treat the Sublease as terminated.

6. **ALTERATIONS.** Sublessee shall not make, or suffer to be made any alterations of the premises, or any part thereof, without the written consent of the Sublessor first had and obtained.

7. **ENTRY BY OWNER.** Sublessee shall permit Sublessor and its agents to enter the premises leased pursuant to this Sublease at all reasonable times for the purpose of inspecting the same.

8. **NONLIABILITY OF OWNER FOR DAMAGE.** As between Sublessor and Sublessee, this Sublease is made upon the express condition that Sublessor is to be free from all liability and claim for damages by reason of any injury to any person or persons or property of any kind whatsoever and to whomsoever belonging, including Sublessee, from any cause or causes whatsoever while in, upon, or in any way connected with the demised premises during the term of this Sublease or any extension hereof, Sublessee hereby covenanting and agreeing to indemnify and save harmless Sublessor and THE CITY OF SAN DIEGO from all liability, loss, cost, and obligations on account or of arising out of any such injuries or losses however occurring.

9. **INSURANCE.** Sublessee shall be insured by an insurance carrier acceptable to the Sublessor and THE CITY OF SAN DIEGO against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$1,000,000.00 COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with THE CITY OF SAN DIEGO and shall name "THE CITY OF SAN DIEGO" and "GIBBS FLYING SERVICE, INC." as additional insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to THE CITY OF SAN DIEGO by the insurance company.

10. COMPLIANCE WITH LAW AND HIGH BUSINESS STANDARDS.

Sublessee shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the demised premises, and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereafter be in force. In addition, the Sublessee shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in a manner which is detrimental to the business of the Sublessor or any other of its Sublessees.

11. HAZARDOUS MATERIALS. Sublessee will not allow the release of hazardous substances in, on, about, under or from the Premise. For the purpose of this provision, a release shall include, but not be limited to, any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leeching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean those hazardous substances listed by the Environmental Protection Agency in regularly released reports and any other substances incorporated into the State's list of hazardous substances. A copy of the presently effective EPA and the State lists is on file in the City Clerk's Office as City Clerk Document 769704.

In the event of any release of a hazardous substance, Sublessee shall be responsible for all costs of remediation and removal of such substance in accordance with all applicable rules and regulations of governmental authorities.

Sublessee agrees to assume the defense of, indemnify and shall hold the City and Sublessor harmless from any claim, costs and expenses related to environmental liabilities resulting from Sublessee's operations on the premises, including, but not limited to, costs of environmental assessments, cost of remediation and removal, any necessary response costs, damage for injury to natural resources or the public, and costs of any health assessments or health effect studies.

If Sublessee knows or has reasonable cause to believe that any hazardous substance has been released on, about or beneath the premises, Sublessee shall give written notice to the City Manager and Sublessor within five (5) days of receipt of such knowledge or cause or belief. Provided, however, if Sublessee knows, or has reasonable cause to believe that such substance is an imminent and substantial danger to public health and safety, Sublessee shall notify the City Manager and Sublessor immediately upon receipt of this knowledge or belief and shall take all acts necessary to alleviate such danger. Sublessee will notify the City Manager and Sublessor immediately of any notice of violation received or initiation of environmental action or private suites relative to the premises. In addition, Sublessee shall not utilize, store or

sell any hazardous substances, other than engine oil and used engine oil, providing Sublessee has all required permits and approvals for same from the appropriate governmental agencies, on the property without the prior written consent of Sublessor. Sublessor recognizes and agrees that aircraft stored, maintained and serviced on the premises contain petroleum products and other materials and that the foregoing will not be deemed a violation of this section, so long as Sublessee abides by all applicable hazardous substance laws, rules, permits and regulations.

Notwithstanding the above, Sublessee shall not be responsible for any toxic waste or hazardous substances disposed of or discharged on the premises prior to the effective date of this sublease agreement.

12. ASSIGNMENT OR SUBLETTING. Sublessee shall not assign this Sublease, or any interest therein, and shall not sublet the premises or any part thereof, or any right or privilege pertinent thereto, or suffer any other person (the agents and servants of Sublessee excepted) to occupy or use the premises, or any portion thereof, without the written consent of the Sublessor and the CITY OF SAN DIEGO first had and obtained, and a consent to one assignment, subletting, occupation, or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use by another person. This Sublease shall not, nor shall any interest therein, be assignable as to the consent of Sublessor and THE CITY OF SAN DIEGO.

13. SIGNS. Sublessee shall be allowed one identification sign on the Subleased Premises with a maximum size of 2 square feet, subject to approval by the City of San Diego. No other signs on the Subleased Premises or Sublessor's premises are allowed.

14. HOLDING OVER. Any holding over after the expiration of the term, with the consent of the Sublessor, shall be construed to be a tenancy from month to month and shall be on the terms and conditions herein specified, so far as applicable.

15. PROVISIONS OF LEASE AGREEMENT. Sublessee acknowledges access to a copy of the Lease Agreement between the City of San Diego and Gibbs Flying Service, Inc. (the Sublessor herein) dated May 19, 1970, as amended. Sublessee agrees to be bound by the terms and conditions of said Lease Agreement and to perform all of the terms and conditions of said Lease Agreement pertaining to the area of the demised premises subleased to it.

16. DEFAULTS AND REMEDIES.

16.1 TENANT'S DEFAULT. The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

A. If Tenant abandons or vacates the Premises; or

B. If Tenant fails to pay any rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or

C. If Tenant occupies any part of Sublessor's premises (other than the space subleased under this agreement); or

D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or

E. If a writ of attachment or execution is levied on this Sublease; or

F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or

G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or

H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

16.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

A. Terminate this Sublease or Tenant's right to possession of the Office(s).

B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Subleased Premises, Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Subleased Premises for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any

alterations or repairs to the Subleased Premises; fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus

2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus

3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus

4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Subleased Premises, (b) maintaining the Subleased Premises after Tenant's default, (c) preparing the Subleased Premises for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Subleased Premises, including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such

term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

17. **RULES AND REGULATIONS.** Sublessee shall faithfully observe and comply with the rules and regulations that Sublessor shall form time to time promulgate. Sublessor reserves the right from time to time make all reasonable modifications. Current Rules and Regulations are attached a Exhibit C.

18. **BINDING ON SUCCESSORS.** The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

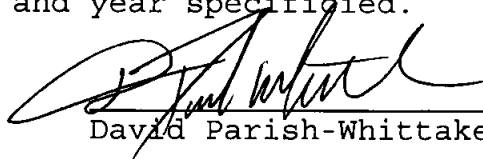
19. **LEGAL PROCEEDINGS.** Should it become necessary for Sublessor or the City of San Diego to commence legal proceedings to collect rent, to recover possession, declare right or enforce any other provision of this Sublease or the Lease Agreement, the Prevailing Party, (as hereafter defined) in any such proceeding, action, or appeal thereof, shall be entitled to reasonable attorney's fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "Prevailing Party" shall include, without limitation, a Party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party of its claim or defense. The attorneys' fee award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorney's fees reasonably incurred. Sublessor shall be entitled to attorney's fees, costs, and expenses incurred in preparation and service of notice of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

20. **WAIVER.** The waiver by Sublessor or any term, covenant or condition shall not be deemed to be waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Sublessor shall not be deemed to be a waiver of any proceeding breach by Sublessee of any term, covenant or condition of this Sublease, other than the failure of the Sublessee to end the particular rent so accepted, regardless of Sublessor's knowledge os such preceding breach at the time of the acceptance of such rent.

21. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

The Sublessor and the Sublessee have executed this Sublease as of the day and year specified.

SUBLESSEE:



David Parish-Whittaker

Date: 1 May, 96

Permanent
Address

4855 Cole Street, Unit 20

City/St

San Diego, CA 92117

Phone

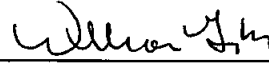
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SUBLESSOR:

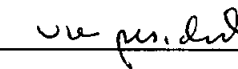
Gibbs Flying Service, Inc.
8906 Aero Drive
San Diego, CA 92123

Date: 1 May 96

by:



its



Gfs/whittakr.les 4/22/96

EXHIBIT A
Subleased Premises
SHELTER HANGAR RENTAL AGREEMENT

THIS AGREEMENT, made this 16 day of AUGUST, 1994 by and between Gibbs Flying Service, Inc. a California Corporation hereinafter referred to as "GIBBS", and DAVID PARISH-WHITTAKER hereinafter referred to as "TENANT".

IT IS AGREED AS FOLLOWS:

1. That GIBBS owns, operates, leases and maintains a Fixed Base Operation at Montgomery Field that includes among other services the rental of hangar and tiedown spaces to individual aircraft owners and operators.

2. That TENANT is the registered owner, agent of owner, lessee or assignee of the following described aircraft:

AIRCRAFT REGISTRATION # N 8668 TYPE BELLANCA CITABRIT
REGISTERED OWNER DAVID PARISH-WHITTAKER

3. GIBBS hereby rents to TENANT, and TENANT hereby hires from GIBBS shelter hangar number 12 at Gibbs Flying Service, Inc. Montgomery Field, for storage of the previously described aircraft in accordance with the terms and conditions of this Agreement and any other rules and regulations as may be imposed from time to time.

4. The term of this Agreement shall be a month to month occupancy, commencing on the first day of the month and ending on the last day of the month, provided, however, that this lease shall be automatically renewed for successive terms of the same length, unless either party gives the other party written notice of his intention to terminate the lease, which notice shall be given at least 30 days before the end of the term.

5. TENANT agrees that in consideration of the aircraft shelter provided, he will pay to GIBBS the sum of \$ 110⁰⁰ per month, payable in advance on the first of each month. Accounts will be termed delinquent after 10 days and will be charged a delinquency fee amounting to one and one half percent per month on all balances unpaid 30 days or more. Shelter rent is subject to adjustment at GIBBS discretion upon 45 days written notice to TENANT.

6. TENANT agrees that the sole purpose of this Agreement is to provide aircraft shelter storage space for the above described aircraft and its appurtenances. TENANT agrees that the aircraft will be used for his private business and pleasure uses only and that no commercial operations will be conducted from the rental premises.

7. TENANT agrees to keep the aircraft in an airworthy, operable condition while hangared at GIBBS. Shelter space is not to be used for major or minor maintenance, refurbishment or repair of aircraft. Spray painting, the use of open flames or welding, storage of flammables, caustics, oxidizers, reactants or any hazardous materials is prohibited. TENANT shall keep his shelter space in a neat and clean condition. TENANT shall not deposit or store any garbage or other waste in the shelter space.

8. TENANT agrees to maintain a Public Liability and Property Damage insurance policy in force and effect during the term of this agreement with a reasonable minimum coverage for bodily injury and property damage liability.

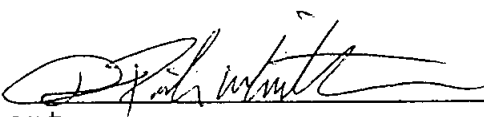
49 50
9. TENANT'S rights hereunder are personal to TENANT and may not be transferred or assigned to any other party during the term of this agreement. TENANT may substitute the previously described aircraft for other aircraft owned or controlled by TENANT upon written notice to GIBBS.

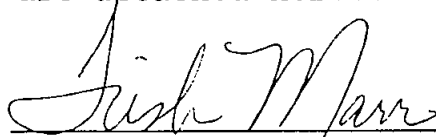
10. TENANT has inspected shelter, taxiways and related facilities and determined them suitable for his use and storage of his aircraft. Except for the sole negligence of GIBBS, TENANT agrees that GIBBS shall have no liability whatsoever for any loss of, or damage of whatsoever kind to said aircraft, equipment, appurtenances, or personnel, or any of them, whether caused by theft, fire, collision, or any other cause of any kind or nature whatsoever, or for the death of, or personal injuries to, members of his family, employees or other invitees, howsoever caused, occurring on said aircraft or any of the shelters, hangars, taxiways, access ways, roads, walks, equipment or premises belonging to GIBBS, or under control of GIBBS. Owner agrees to indemnify and hold harmless GIBBS and its officers, agents, employees from any matter, thing, or occurrence arising out of or relating to the operation, occupancy or possession by TENANT or his family, employees or invitees of any aircraft or vehicle or any shelter, hangar or tiedown facilities hereunder.

11. TENANT covenants and agrees with GIBBS to comply and faithfully observe all GIBBS Hangar and Tiedown Rules, and all applicable rules and regulations of any the Federal Aviation Administration, City of San Diego.

12. In the event of any controversy between parties hereto concerning this rental agreement, it is agreed that in the event litigation is filed that the prevailing party may be awarded and recover reasonable attorney fees.

By execution of this agreement TENANT acknowledges and agrees that he has read and approved this agreement and acknowledges receipt of a copy of the current Hangar and Tiedown Rules which are attached hereto.

By: 
Tenant

By: 
Gibbs Flying Service, Inc.

Billing Name: David D. Parish-Whittaker

Attention: _____

Address: 4855 Coke ST, #20

City: San Diego State: CA Zip: 92117

Day Phone # 545-6831 Evening Phone # 272-8273

Attachment: Rules

EXHIBIT B
Approved Uses

The approved uses for the Subleased Premises include flight training in aerobatics, transition training in taildraggers, flight training, aircraft rides, rental of tailwheel aircraft, aerobatic demonstrations and related pilot or flight training services.

GENERAL RULES

EXHIBIT C

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

GIBBS FLYING SERVICE VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by Gibbs Flying Service, Inc. (GIBBS) for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at the Gibbs Flying Service, Inc. Aircraft Facility (GFSAF) must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

City of San Diego
Sublease of
Gibbs

DUPLICATE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as Lessor under that certain Lease Agreement (Master Lease) entered into with Gibb's Flying Service, Inc. (LESSEE) and filed in the Office of the City Clerk as Document RR-732107 hereby consents to that certain Sublease Agreement between the LESSEE (SUBLESSOR) and R.F. Ridout & Company (SUBLESSEE) dated February 15, 1992, attached hereto. Said Sublease shall be subordinate to the Master Lease in all respects, except SUBLESSEE shall pay CITY an annual permit fee in lieu of percentage rents, as specified in Paragraph 5.2 of the Sublease.

The CITY is merely approving the Sublease and the proposed "incidental" use, in compliance with Paragraph 1 of Master Lease, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease, which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

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

THE CITY OF SAN DIEGO

Dated: July 13, 1992

By: [Signature]
Airport's Operations
Manager, MYF

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated: 7/16/92

By: [Signature]
Deputy City Attorney

DOCUMENT NO. 769807

FILED JUL 21 1992
OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

gibbcons.sub

AVIATION OFFICE SUBLEASE AGREEMENT

1. PARTIES. This Sublease is made and entered into this 15th day of February, 1992, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and R.F. Ridout & Company, a sole proprietorship, Sublessee, ("Tenant").

2. MASTER LEASE.

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. PREMISES. Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "C", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM weekdays and 8:00 AM to 6:00 PM weekends. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. TERM. The term of this Sublease shall be one (1) year, commencing on the 15th day of February, 1992, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on February 15, 1993.

5. RENT. Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of Five Hundred Dollars (\$500.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 ANNUAL RENT ADJUSTMENTS.

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. Tenant shall pay to the City of San Diego an amount of \$500.00 annually as a permit fee for Tenant to conduct an Aviation and General Insurance business from the Subleased Premises. Said Permit shall be in lieu of and exempt Tenant and Landlord from the requirement to pay the percentage rents as specified in Section of the Master Lease on Tenant's gross sales or commissions.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for an Aircraft Insurance Brokerage and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ Zero Dollars (\$0) as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit on account of Tenant's default. If any portion

of the Security Deposit is so used, retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. **RELOCATION.** Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. **REPAIRS AND ALTERATIONS.**

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. **COVENANT AGAINST LIENS.** Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, capable of paying rent under this Sublease on a regular basis and (ii) an excellent reputation for being honest and having a good moral character. The

sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve R.F. Ridout & Company of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit C.

16. ENTRY BY LANDLORD. Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. RECONSTRUCTION. In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. DEFAULTS AND REMEDIES.

18.1 TENANT'S DEFAULT. The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) sublease under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or

- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed with forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or unterminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not

limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. **EMINENT DOMAIN.** If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. **OFFSET STATEMENT.** Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. **RIDERS.** Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. **WAIVER.** The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

23. **NOTICES.** All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMENT. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

TENANT:
R.F. Ridout & Company
405 W. Washington #404
San Diego, CA 92103

By: William White

Date: 3/10/92

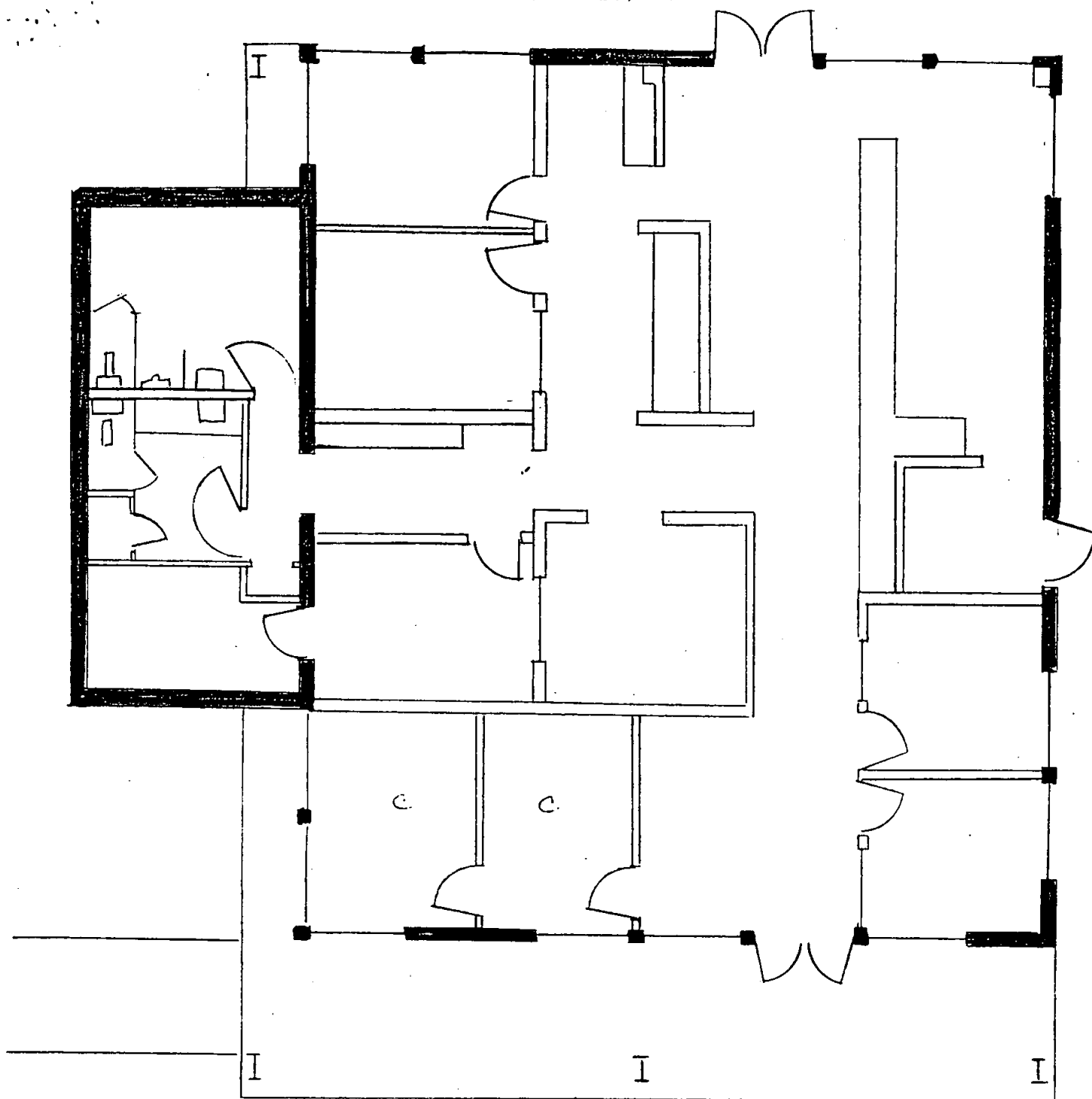
By: R.F. Ridout

Date: 3/16/92

Approved by the City of San Diego

By: X
Date: X

EXHIBIT A



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive

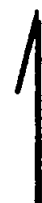


Exhibit "B" Rules and Regulations

GENERAL RULES

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.

Exhibit "B" Rules and Regulations

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by GIBBS for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at GFSAF must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of the GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.

AVIATION OFFICE SUBLEASE AGREEMENT

1. **PARTIES.** This Sublease is made and entered into this 15th day of February, 1992, by and between Gibbs Flying Service, Inc., a California corporation, Sublessor, ("Landlord"), and R.F. Ridout & Company, a sole proprietorship, Sublessee, ("Tenant").

2. **MASTER LEASE.**

A. This Sublease is subject and subordinate to the Master Lease between the CITY OF SAN DIEGO and GIBBS FLYING SERVICE, INC., dated May 19, 1970, as amended, a copy of which is on file with the Clerk of the City of San Diego as Document No. 732107.

B. Tenant shall not cause, permit or allow any breach or violation of any of the terms and provisions of the Master Lease or the Gibbs Flying Service Rules and Regulations. Tenant shall defend, indemnify, and hold Landlord harmless from any and all costs, expenses, damages, and forfeitures resulting from or attributable to any such act or event.

If, for any reason, the Master Lease is terminated before the expiration of the Master Lease term, then, Tenant shall, upon written notice from Master Landlord (if given by Master Landlord in its sole discretion), attorn to the Master Landlord and recognize Master Landlord as Landlord under this Sublease.

3. **PREMISES.** Landlord subleases to Tenant and Tenant subleases from Landlord portions, hereinafter "Office(s)", of the Gibbs Flying Service Office Building, located at 3717 John J. Montgomery Drive, San Diego, 92123. The exact description and location of the Office(s) is indicated on Exhibit A attached. The Office(s) include:

3.1 An exclusive right to occupy Office Suite(s) "C", and,

3.2 Subject to other arrangements, access to the Office Suite(s) will be only during the Landlord's normal business hours of 7:00 AM to 7:00 PM weekdays and 8:00 AM to 6:00 PM weekends. The Office Building may also be closed some holidays, and,

3.3 Access on a non-exclusive right to two (2) parking spaces, common areas and provided facilities.

4. **TERM.** The term of this Sublease shall be one (1) year, commencing on the 15th day of February, 1992, and ending, unless sooner terminated under Paragraphs 17, 18 or 19, on February 15, 1993.

5. **RENT.** Tenant shall pay Landlord as rent for the Office(s), without any offset or deduction, payable in Dollars of the United States of America, on or before the first day of the month and of each and every calendar month during the term, the sum of Five Hundred Dollars (\$500.00). If the term commences on a day other than the first day of the calendar month, rent may be prorated on the portion of the calendar month remaining.

Said rent shall include normal use of office, utilities (electrical, water/sewer), standard janitorial services, real estate taxes and assessments and common area expenses. Telephone service will be at the sole cost and expense of Tenant.

5.1 **ANNUAL RENT ADJUSTMENTS.**

A. One year after the commencement date of this Sublease and each year thereafter, the monthly rent payable under Paragraph 5 shall be adjusted by the increase, if any, from the date this Sublease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for the Urban Wage Earners and Clerical Workers, Los Angeles-Anaheim-Riverside, California (1982/84=100), All Items (herein referred to as "CPI").

B. The monthly rent payable in accordance with Paragraph 5 shall be calculated as follows: The rent payable for the first full month of the term of this Sublease, as set forth in Paragraph 5 shall be multiplied by a fraction, the numerator of which shall be the CPI of the third month immediately preceding the effective date of the subject rent adjustment, and the denominator of which shall be the CPI of the third month immediately preceding the first month of the term of this Sublease. The sum so calculated shall constitute the new monthly rent hereunder, but, in no event, shall such new monthly rent be less than the rent payable for the month immediately preceding the date of the rent adjustment.

C. In the event the compilation and/or publication of the CPI shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation. In the event that Landlord and Tenant cannot agree on such alternative index, then the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid equally by Landlord and Tenant.

5.2 PERCENTAGE RENT UNDER MASTER LEASE AGREEMENT. Tenant shall pay to the City of San Diego an amount of \$500.00 annually as a permit fee for Tenant to conduct an Aviation and General Insurance business from the Subleased Premises. Said Permit shall be in lieu of and exempt Tenant and Landlord from the requirement to pay the percentage rents as specified in Section of the Master Lease on Tenant's gross sales or commissions.

6. POSSESSION. If Landlord for any reason fails to deliver possession of the Office(s) to Tenant at the commencement of the term, this Sublease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, nor shall the expiration date of the term be in any way extended, but all rent shall be abated during the period between the commencement of said term and the time when Landlord delivers possession.

A. If Landlord permits Tenant to occupy the Office(s) prior to the commencement date of the term, said occupancy shall be subject to all the provisions of this Sublease.

B. By signing this Sublease, Tenant warrants and represents that he has inspected and approved of the condition of the Office(s) and accepts the Office(s) "as is, where is."

7. LIMITATION ON USE. The Office(s) shall be used and occupied by Tenant for an Aircraft Insurance Brokerage and for no other purpose without the prior written consent of Landlord. Tenant shall not cause, permit or allow:

A. Any activity in or about the Office(s) which may affect the rates or coverage of any insurance;

B. Any obstruction or interference with the rights of other occupants, guests or invitees of the Office Building;

C. Any immoral or unlawful activity in or about the Office(s) (including, without limitation, any violation of any federal, state or local laws and regulations governing hazardous and other toxic substances or wastes);

D. Any waste in or about the Office(s); or

E. Any deviation from those uses approved in the Master Lease.

7.1 NONEXCLUSIVE USE OF PREMISES. Nothing in this Sublease grants to Tenant an exclusive use of the common areas or the exclusive franchise or business use herein permitted. Landlord reserves the right to lease or sublease to other tenants in similar or competitive businesses office suites or other premises on the same nonexclusive use basis as Tenant.

8. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of \$ Zero Dollars (\$0) as a security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Sublease. If Tenant defaults with respect to any provision of this Sublease, Landlord may (but shall not be required to) use, apply or retain all or any part of the Security Deposit on account of Tenant's default. If any portion

of the Security Deposit is so used, retained or applied, Tenant shall, within ten (10) days after written demand, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep the Security Deposit separate from its general funds, and Tenant shall not be entitled to interest thereon. If Tenant shall fully and faithfully perform every provision of this Sublease to be performed by it, the Security Deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) pursuant to California Civil Code Section 1950.7 at the expiration of the term. In the event of any termination of Landlord's interest in this Sublease, Landlord shall transfer the Security Deposit to Landlord's successor in interest.

9. **RELOCATION.** Landlord shall have the right at any time during the term, upon giving Tenant not less than sixty (60) day's prior written notice, to provide and furnish Tenant with offices elsewhere in the Office Building, and to remove and place Tenant in such offices, with Landlord to pay all reasonable out-of-pocket costs and expenses incurred by Tenant as a result of such relocation, provided that such offices (a) are approximately the same size as the Office(s), (b) contain comparable improvements, and (c) are made available to Tenant at then current rents, not to exceed the rent for the Office(s) specified in Paragraph 5.

10. **REPAIRS AND ALTERATIONS.**

A. By accepting possession of the Office(s), Tenant shall have acknowledged that the Office(s) are in good and sanitary order and condition. Tenant shall not make or cause to be made any alterations, additions or improvements to or of the Office(s) without the written consent of Landlord, which Landlord may grant or withhold in its sole and unfettered discretion.

B. Tenant shall, at Tenant's sole cost and expense, keep the Office(s) in good condition and repair, ordinary wear and tear excepted. Tenant shall upon the expiration or sooner termination of this Sublease surrender the Office(s) to the Landlord in good and sanitary condition, ordinary wear and tear excepted. Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Office(s) or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Office(s).

C. Landlord shall repair and maintain the structural portions of the Offices, including the basic plumbing, air conditioning, heating, and electrical systems, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by the Tenant, its agents, servants, employees or invitees, in which case Tenant shall pay to Landlord the cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant. Except as provided in Paragraph 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Office(s). Tenant waives the right to make repairs at Landlord's expense, including, but not limited to, the provision of Section 1932, 1941, and 1942.1 of the California Civil Code.

D. No alterations to the Office(s) shall be permitted without Landlord's written consent, which may be withheld without reference to any standard of reasonableness.

11. **COVENANT AGAINST LIENS.** Tenant shall keep the Office(s) free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant.

12. **ASSIGNMENT AND SUBLETTING.** Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Sublease or any interest therein, and shall not sublet the Office(s), or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Office(s) or any portion thereof, without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld if the proposed assignee or subtenant has (i) sufficient income, based on its current financial statements and most recently filed federal tax return, capable of paying rent under this Sublease on a regular basis and (ii) an excellent reputation for being honest and having a good moral character. The

sale, transfer, conveyance or encumbrance of any partnership interest, share of stock, equity interest or any other interest of ownership in Tenant and, if Tenant is either a limited or general partnership, in the general or managing partner(s) thereof, shall constitute an assignment for which Landlord's prior written consent will be required as herein provided.

In requesting Landlord's written consent as required in this paragraph, Tenant shall deliver to Landlord copies of all agreements and other instruments (together with any financial statements requested by Landlord) pertaining in any way to the proposed event for which such consent is required, including, without limitation, copies of any agreements for services or the renting (or leasing) of personal property or equipment to be provided by Tenant in connection with such proposed event. A consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Landlord's consent to any such assignment or subletting shall not relieve R.F. Ridout & Company of any liability under this Sublease. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under the terms of this Sublease.

In the event of an assignment to which Landlord has consented, the Security Deposit required of Tenant pursuant to Article 8 of this Sublease shall be deemed to be the sole property of the assignee.

In the event that Landlord shall consent to a further sublease or assignment hereunder, Tenant shall pay Landlord reasonable fees, not to exceed \$500, incurred in connection with the processing of documents necessary to the giving of such consent and/or assumption by the assignees.

13. **HOLD HARMLESS.** Tenant shall defend, indemnify and hold Landlord harmless from and against any and all claims arising from Tenant's use of the Office(s) and appurtenant areas or from any other activity, work or thing done, permitted or suffered by the Tenant, its employees, agents, guests or invitees in or about the Office(s) or appurtenant areas. Tenant hereby assumes all risk of damage to property and injury to person in, on or about the Office(s) from any cause other than Landlord's gross negligence, and Tenant hereby waives all claims in respect thereof against Landlord. Landlord shall not be liable for any damage to property entrusted by Tenant to employees of Landlord, nor for loss or damage to any property by theft or otherwise, nor for any injury to or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain, or from pipes, appliances or plumbing works, or from the roof, street or subsurface or from any other place or any other cause whatsoever, unless caused by or due to the gross negligence of Landlord.

14. **LIABILITY AND EQUIPMENT INSURANCE.** Tenant shall, at Tenant's expense, obtain and keep in force during the term of this Sublease a policy of comprehensive public liability insurance, with such endorsements as Landlord may require, insuring Landlord, the City of San Diego and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Office(s) and all areas appurtenant thereto, with limits of liability of not less than \$1,000,000 for any one person injured and \$1,000,000 for any one such occurrence, and \$1,000,000 for property damage liability. The limits of said insurance shall not, however, limit the liability of Tenant hereunder. Tenant may carry such insurance under a blanket policy, provided, however, Tenant shall deliver to Landlord prior to occupancy of the Office(s), a copy of the policy of liability insurance required hereby or of the certificates evidencing the existence and amounts of such insurance and naming Landlord as an Additional Named Insured, with loss payable clauses satisfactory to Landlord. No policy shall be cancelable or subject to reduction of coverage except after ten (10) days' prior written notice to Landlord. In the event that Tenant's insurance is about to expire or be canceled for any reason, whether by Tenant or by Tenant's insurance carrier, Tenant shall, at least ten (10) days prior to such expiration or cancellation, purchase replacement coverage and deliver evidence of same to Landlord. All insurance shall be issued by insurance companies acceptable to Landlord.

15. **RULES AND REGULATIONS.** Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications. Current rules and regulations are attached as Exhibit C.

16. ENTRY BY LANDLORD. Landlord reserves and shall at any time and all times have the right to enter the Office(s), inspect the same, supply janitorial service and other services to be provided by Landlord to Tenant hereunder, to submit said Office(s) to prospective purchasers or Tenants, to post notices of non-responsibility, and to alter, improve or repair the Office(s) (including changing the size and location of any common areas and adding additional office space or other rental areas) that Landlord may deem necessary or desirable, without abatement or rent. Landlord may for such purposes erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Except for the gross negligence of Landlord, Tenant hereby waives any claim for damages or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Office(s) and any other loss occasioned thereby. Landlord may at all times have and retain a key with which to unlock all of the doors in, upon and about the Office(s), excluding Tenant's vaults, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency.

17. RECONSTRUCTION. In the event the Office(s) are damaged by fire or other perils covered by extended coverage insurance, and Landlord receives sufficient insurance proceeds, Landlord agrees to forthwith repair the same. This Sublease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate reduction of the rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall materially interfere with the business carried on by the Tenant in the Office(s). If the damage is due to the fault or neglect of Tenant or its employees, there shall be no abatement of rent.

In the event the Office(s) are damaged as a result of any cause other than the perils covered by fire and extended coverage insurance, or if the insurance proceeds are less than the costs to repair such damage, then Landlord shall have the option to (1) repair or restore such damage, this Sublease continuing in full force and effect, but the rent to be proportionately reduced as hereinabove provided; or (2) at any time within sixty (60) days after such damage, give notice to Tenant terminating this Sublease as of the date specified in such notice, which date shall be no less than thirty (30) and no more than sixty (60) days after the giving of such notice. In the event of giving such notice, this Sublease shall expire and all interest of the Tenant in the Office(s) shall terminate on the date so specified in such notice and the rent (reduced by a proportionate amount, based upon the extent, if any, to which such damage materially interfered with the business carried on by the Tenant in the Office(s)) shall be paid up to date of said such termination.

Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Office(s) when the damage occurs during the last three (3) months of the term of this Sublease.

Landlord shall not be required to repair any injury or damage by fire or other cause, or to make any repairs or replacements of any panels, decoration, office fixtures, railings, floor coverings, partitions, or any other property installed in the Office(s) by Tenant.

Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Office(s), Tenant's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

18. DEFAULTS AND REMEDIES.

18.1 TENANT'S DEFAULT. The occurrence of any one or more of the following events shall constitute a default and breach of this Sublease by Tenant:

- A. If Tenant abandons or vacates the Premises; or
- B. If Tenant fails to pay and rent or any other charges required to be paid by Tenant under this Sublease and such failure continues for five (5) days after such payment is due and payable; or
- C. If Tenant occupies any part of the Office Building (other than the Office(s) sublease under this agreement); or
- D. If Tenant fails to promptly and fully perform any covenant, condition or agreement contained in the Sublease and such failure continues for fifteen (15) days after written notice thereof from Landlord to Tenant; or

- E. If a writ of attachment or execution is levied on this Sublease; or
- F. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or
- G. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of businesses, any court of competent jurisdiction assumes jurisdiction, custody or control of Tenant or any substantial part of its property and such jurisdiction, custody or control remains in force unrelinquished, unstayed or terminated for a period of forty-five (45) days; or
- H. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or the partnership or other person or entity is involved in any of the acts or events described in Subsections E through G.

18.2 REMEDIES. In the event of Tenant's default, then in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind, to do the following:

- A. Terminate this Sublease or Tenant's right to possession of the Office(s).
- B. Continue this Sublease and enforce all of Landlord's rights and remedies under this Sublease (as provided by California Civil Code Section 1951.4). If Landlord re-enters the Office(s), Landlord shall not be deemed to have terminated this Sublease or Tenant's possession unless Landlord notifies Tenant in writing of Landlord's election to terminate this Sublease or Tenant's possession. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's property and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Office(s) for the account of Tenant, the rent received by Landlord shall be applied as follows: First, to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of costs of such reletting, including brokerage commissions; third, to the payment of the cost of any alterations or repairs to the Office(s); fourth, to the payment of rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future rent as it becomes due. If that portion of rent received from the reletting which is applied against the rent due hereunder is less than the amount of the rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Sublease or Tenant's possession, Landlord may recover as damages from Tenant the following:

1. Past Rent. The worth at the time of the award of any unpaid rent which has been earned at the time of termination; plus
2. Rent Prior to Award. The worth at the time of the award 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 Tenant proves could have been reasonably avoided; plus
3. Rent After Award. The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of the rental loss that Tenant proves could be reasonably avoided; plus
4. Proximately Caused Damages. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Sublease or which in the ordinary course of things would be likely to result therefrom, including, but not

limited to, any costs or expenses (including attorney's fees), incurred by Landlord in (a) retaking possession of the Office(s), (b) maintaining the Office(s) after Tenant's default, (c) preparing the Office(s) for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Office(s), including brokers' commissions.

"The worth at the time of the award" as used in Subsections 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum. "The worth at the time of the award" as used in Subsection 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%). The waiver by Landlord of any breach of any term, covenant or condition of this Sublease shall not be deemed a waiver of such term, other term, covenant or condition. Acceptance of rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of rent. Landlord shall not be deemed to have waived any term, covenant or condition unless Landlord gives Tenant written notice of such waiver.

19. EMINENT DOMAIN. If more than twenty-five percent (25%) of the Office(s) shall be taken or appropriated under the power of eminent domain, either party shall have the right, at its option, to terminate this Sublease on written notice to the other within 30 days after the taking. Landlord shall be entitled to any and all awards which may be paid or made in connection with any taking, and Tenant shall have no claim against Landlord for the value of any unexpired term of this Sublease. If less than twenty-five percent (25%) of the Office(s) is taken, or neither party elects to terminate as herein provided, the ante shall be equitably reduced, and Landlord shall be entitled to the entire award. If any part of the Office Building, other than the Office(s), is so taken or appropriated, Landlord may, at its option, terminate this Sublease, and Landlord shall be entitled to the entire award.

20. OFFSET STATEMENT. Tenant shall from time to time, within ten (10) days' written notice from Landlord, execute, acknowledge and deliver to Landlord a statement in writing: (a) certifying that this Sublease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Sublease as so modified, is in full force and effect), and the date to which the rent and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Office(s) is a part.

21. RIDERS. Clauses, plats and riders, if any, signed by Landlord and Tenant, and affixed, are a part of this Sublease.

22. WAIVER. The waiver by Landlord of any term, covenant or condition shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition. The subsequent acceptance of rent by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Sublease, other than the failure of the Tenant to end the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

23. NOTICES. All notices which Landlord or Tenant may be required, or may desire, to serve on the other may be served either by personal delivery and service or by mailing same by registered or certified mail, postage prepaid, return receipt requested, addressed to the Landlord at its office located 8906 Aero Drive, San Diego, California 92123, and to Tenant at the Office(s), whether or not the Tenant has departed from, abandoned or vacated the Office(s), or addressed to such other address or addresses as either Landlord or Tenant may from time to time designate to the other in writing.

24. **TIME IS OF THE ESSENCE.** Time and punctual, strict performance are each declared to be of the essence of this Sublease and to each of the terms, conditions and covenants hereof.

25. **CONSTRUCTION.** The titles or headings of the paragraphs of this Sublease are not a part of this Sublease and are only intended to aid in general references. "Suites", where appropriate, includes "Office(s)". This Sublease contains a complete expression of the agreement between Landlord and Tenant and there is no promise, representation, agreement, warranty or inducement, either express or implied other than herein set forth. The language in each part of this Sublease shall be construed according to its fair meaning and not strictly either for or against Landlord or Tenant.

26. **UNENFORCEABILITY OF A PROVISION.** Should any provision of this Sublease be deemed legally unenforceable, the remainder of this Sublease shall remain in full force and effect.

27. **JOINT OBLIGATION.** If there is more than one Tenant, the obligation imposed by this Sublease upon Tenant shall be joint and several.

28. **ATTORNEY'S FEES.** If Landlord, through no fault, is made a party to any litigation brought by or against Tenant or because of the violation of, or the refusal by, Tenant to perform or observe any one or more of the terms, conditions or covenants of this Sublease, or should Landlord employ an attorney to enforce performance of any term, condition or covenant of this Sublease or to recover the possession of said Office(s) and Landlord is successful in any said litigation, Landlord shall be entitled to recover from Tenant all costs and expenses, including reasonable attorney's fees, incurred in connection with said litigation. Tenant shall also pay to Landlord, on demand, all reasonable attorneys' fees and other reasonable costs incurred by Landlord with respect to any default or breach of this Sublease by Tenant, regardless of whether any legal action or proceeding is instituted or not by Landlord.

29. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, administrators and assigns of the parties.

30. **RECORDATION.** Neither Landlord nor Tenant shall record this Sublease or a short form memorandum.

31. **QUIET POSSESSION.** Upon Tenant's paying the rent and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed, Tenant shall have quiet possession of the Office(s) for the entire term hereof, subject to all the provisions of this Sublease.

32. **LATE CHARGES.** Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Sublease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by terms of any mortgage or trust deed covering the Office Building. Accordingly, if any installment of rent or of a sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days, after the due date, such rent and other sums due will be considered Past Due Rent and Tenant shall pay to Landlord a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of such late charges by the Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

33. SUBORDINATION, ATTORNMENT. Within ten (10) days after receipt of Landlord's written request therefor, Tenant shall, in an appropriate written document in recordable form, subordinate its rights hereunder to the lien of any mortgage or deed of trust executed by Landlord for the benefit of any bank, insurance company or other lending institution, now or hereafter in force against the Office(s), and to all advances made or hereafter to be made upon the security of such mortgage or deed of trust. Landlord or its lender may prescribe the form of such written document.

In the event any proceedings are brought for foreclosure or in the event of the exercise of the power of sale under any mortgage or deed of trust made by Landlord covering the Office(s), Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Sublease.

If Tenant subordinates its rights hereunder, then so long as Tenant is not in default hereunder, this Sublease shall remain in full force and effect for the term of this Sublease. In this respect, Tenant's obligations under this article to subordinate its rights hereunder shall be subject to receipt by Tenant of a written statement from the aforesaid lending institution that it will, and thereby does, recognize Tenant as the Tenant under this Sublease and will not disturb Tenant's right to quiet possession of the Office(s) so long as Tenant shall timely pay the rent and timely observe and perform all of its obligations under this Sublease.

34. SIGNS. No sign, placard, picture, advertisement, name or notice shall be displayed, printed, inscribed or otherwise posted on the Office(s), or any of the common areas without the prior written approval of Landlord, which approval may be withheld without reference to any standard of reasonableness.

35. INABILITY TO PERFORM. This Sublease and the obligations of the Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the unreasonable control of the Landlord.

LANDLORD:
GIBBS FLYING SERVICE, INC.
a California Corporation

TENANT:
R.F. Ridout & Company
405 W. Washington #404
San Diego, CA 92103

By: William White

By: R.F. Ridout

Date: 3/10/92

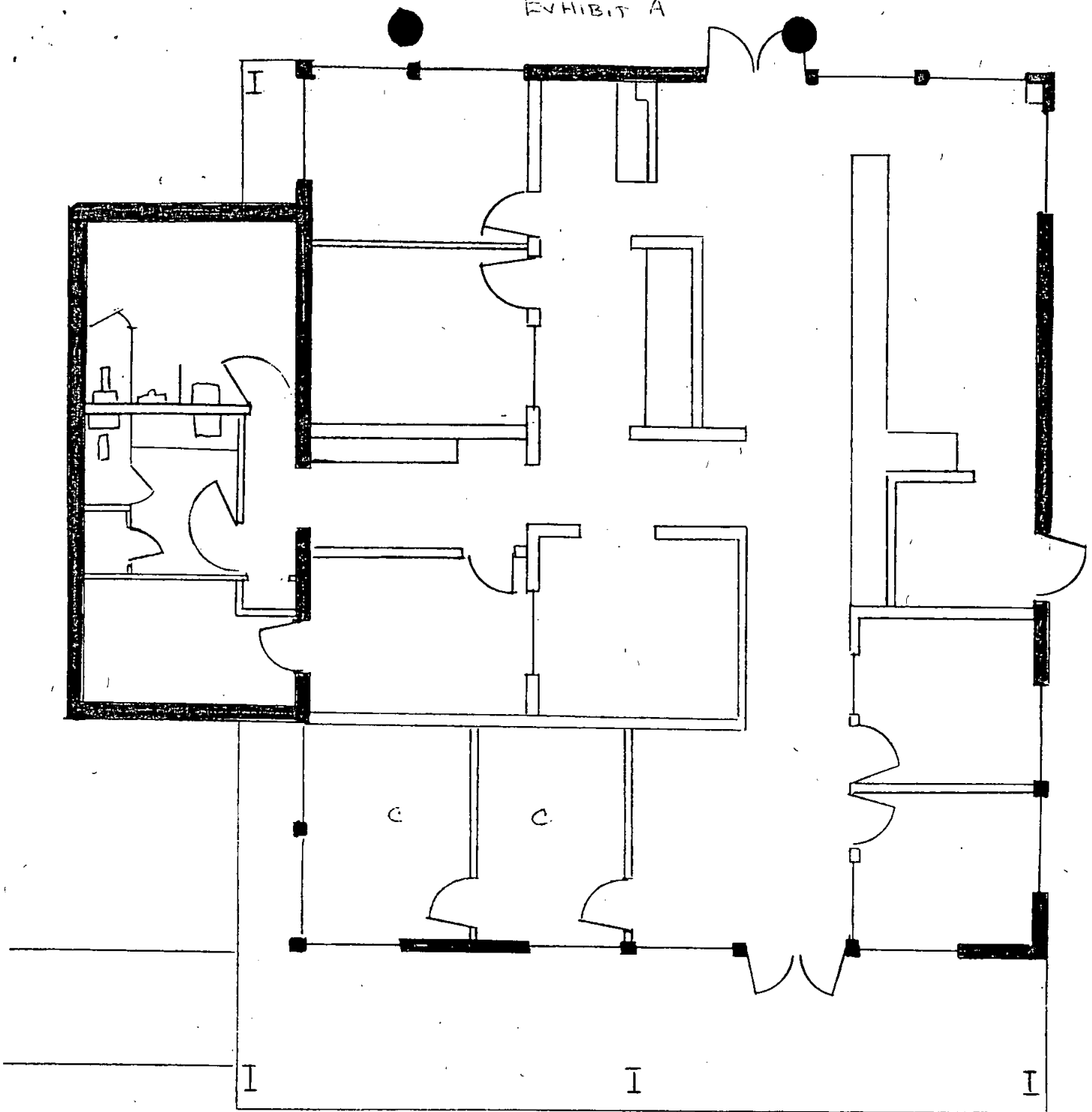
Date: 3/16/92

Approved by the City of San Diego

By: _____

Date: _____

EXHIBIT A



GIBBS FLYING SERVICE
Office Building
3717 John J Montgomery Drive



Exhibit "B" Rules and Regulations

GENERAL RULES

1. Tenant shall not suffer or permit the obstruction of any Common Areas, including driveways, walkways and stairways.
2. Gibbs Flying Service, Inc. ("GIBBS") reserves the right to refuse access to any persons GIBBS in good faith judges to be a threat to the safety, reputation, or property of the Gibbs Flying Service, Inc. Aircraft Facility ("GFSAF"), which includes the GFSAF office, aircraft storage hangars ("Hangars") and aircraft tiedown spaces ("Tiedowns") and their occupants.
3. Tenant shall not make or permit any noise or odors that annoy or interfere with other Tenants or persons having business within GFSAF.
4. Tenant shall not keep animals or birds within GFSAF and shall not bring bicycles, motorcycles or other vehicles into areas not designated as authorized for same.
5. Tenant shall not make, suffer or permit litter, waste or garbage, except in appropriate receptacles for that purpose.
6. Tenant shall not alter any lock or install new or additional locks or bolts.
7. Tenant shall be responsible for the inappropriate use of any toilet rooms, plumbing or other utilities. No foreign substance of any kind are to be inserted therein.
8. Tenant shall not deface the walls, partitions or other surfaces of the premises of GFSAF.
9. Tenant shall not suffer or permit any thing in or around GFSAF that causes excessive vibration or floor loading in any part of the GFSAF.
10. Furniture, significant freight and equipment shall be moved into or out of GFSAF only with the knowledge and consent of GIBBS, and subject to such reasonable limitations, techniques and timing, as may be designated by GIBBS. Tenant shall be responsible for any damage to GFSAF arising from any such activity.
11. Tenant shall not employ any service or contractor for services or work to be performed at GFSAF, except as approved by GIBBS.
12. GIBBS reserves the right to close and lock the office & gates on legal holidays, and on other days between the hours of 8:00 p.m. and 6:30 a.m. of the following day.
13. Tenant shall return all keys at the termination of his tenancy and shall be responsible for the cost of replacing any keys that are lost.
14. No window coverings, shades or awnings shall be installed or used by Tenant.
15. No Tenant, employee or invitee shall go upon the roof of any building at GFSAF.
16. Tenant shall not suffer or permit smoking or carrying of lighted cigars or cigarettes in areas of the office or hangars.
17. Tenant shall not use any method of heating or air conditioning other than is provided by GIBBS.
18. Tenant shall not install, maintain or operate any vending machines on GFSAF.
19. GFSAF shall not be used for lodging or manufacturing, cooking or food preparation except within designated kitchen areas, if any.
20. Tenant shall comply with all safety, fire protection and evacuation regulations established by GIBBS or any applicable governmental agency.
21. GIBBS reserves the right to waive any one of these rules or regulations, and/or as to any particular Tenant, and any such waiver shall not constitute a waiver of any other rule or regulation or any subsequent applicant thereof to such Tenant.
22. Tenant assumes all risks from theft or vandalism and agrees to keep its premises within GFSAF locked as may be required.
23. GIBBS reserves the right to make such other reasonable rules and regulations as it may from time to time deem necessary for the appropriate operation and safety of the GFSAF and its occupants. Tenant agrees to abide such rules and regulations.

Exhibit "B" Rules and Regulations

VEHICLE PARKING RULES

1. Parking areas shall be used for parking by vehicles no longer than full size, passenger automobiles herein called "Permitted Size Vehicles". Vehicles other than Permitted Size Vehicles are herein referred to as "Oversized Vehicles".
2. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded, or parked in areas other than those designated by GIBBS for such activities.
3. GIBBS reserves the right to relocate all or part of parking spaces and to reasonably allocate them between compact and standard size spaces, as long as the same complies with applicable laws, ordinances and regulations.
4. Users of the parking area will obey all posted signs and park only in the area designated for vehicle parking.
5. Unless otherwise instructed, every person using the parking area is required to park and lock his own vehicle. GIBBS will not be responsible for any damage to vehicles, injury to persons or loss of property, all of which risks are assumed by the party using the parking area.
6. The maintenance, washing, waxing or cleaning of vehicles in the parking areas is prohibited.
7. GIBBS shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreement; however, GIBBS is not responsible for the acts or omissions of other tenants and their employees, agents and invitees.
8. Tenant shall be responsible for seeing that all of its employees, agents and invitees comply with the applicable parking rules, regulations, laws and agreements.
9. GIBBS reserves the right to modify these rules and/or adopt such other reasonable and nondiscriminatory rules and regulations as it may deem necessary for the proper operation of the parking area.
10. Such parking use as in herein provided is intended merely as a license only and no bailment is intended or shall be created hereby.

AIRCRAFT RULES

1. The aircraft to be hangared or tied down at GFSAF must fit within the assigned tiedown space or hangar area. The aircraft must not be allowed to protrude or infringe into an adjacent area so as to diminish the usability of another aircraft parking space, constitute a safety hazard, intrude into entryways or taxiways or otherwise block the public right of way.
2. No improvement, change or alteration to the leased hangar or tiedown space may be made without the written authorization of the GIBBS, except that tiedown chains or ropes may be replaced by Tenant at his option. However GIBBS will repair or replace any defective chain or rope at no cost to Tenant upon request.
3. No business or commercial activity of any type may be conducted from this facility without the written approval of GIBBS and the City of San Diego.
4. Aircraft maintenance is prohibited in the aircraft tiedown spaces and aircraft hangars where aircraft are stored in common. Maintenance may be performed in the individual aircraft hangars, only on the Designated Aircraft as per the Lease Agreement so long as such maintenance does not interfere with the use and enjoyment of the facilities by the other tenants and does not constitute a hazard, threat or liability to the facilities or its occupants. Spray painting, the use of open flames or welding, and storage of flammables, caustics, oxidizers, reactants or any hazardous substances or materials are prohibited.
5. Fueling of an aircraft while in a hangar is prohibited.
6. Only Tenants of GFSAF and their invited guests are authorized access to the airport operations area.
7. Tenant shall operate his aircraft in a safe, courteous manner and faithfully observe all applicable federal, state and local laws, including all Federal Aviation Administration and City of San Diego rules and regulations. In addition, Tenant shall faithfully comply with all rules and regulations adopted from time to time by GIBBS.