

**LEASE AGREEMENT BETWEEN THE CITY OF CORONA
AND CORONA AIR VENTURES, LLC FOR PARCEL I
AT THE CORONA MUNICIPAL AIRPORT**

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**LEASE AGREEMENT BETWEEN THE CITY OF CORONA
AND CORONA AIR VENTURES, LLC FOR PARCEL I
AT THE CORONA MUNICIPAL AIRPORT**

This lease ("Lease"), dated for reference purposes as of January 7, 2004, is entered into by and between the **CITY OF CORONA**, a municipal corporation of the State of California ("Lessor"), and **CORONA AIR VENTURES, LLC**, a California limited liability company ("Lessee").

RECITALS

1. Lessor operates the Corona Municipal Airport ("Airport") on property Lessor leases from the United States Army Corps of Engineers ("USACOE") pursuant to Lease No. DACW 09-1-67-60, dated May 26, 1967, and all supplemental agreements thereto.

2. Lessee desires to lease Parcel I at the Airport for parking, storing, and/or tying down of airplanes and other proper and lawful purposes incidental thereto.

LEASE

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties hereby agree as follows:

1. **LEASE OF PREMISES.**

1.01 **Master Lease Agreement.** Lessor represents to Lessee (a) that it has a possessory interest in the parcels described in Section 1.02 below ("Premises") and (b) that it has the full power and authority to lease the Premises to Lessee subject to the terms and conditions of the lease between Lessor and the USACOE, more particularly described as Lease No. DACW09-1-67-60, dated May 26, 1967, and all supplemental agreements thereto ("Master Lease Agreement") and subject to approval of the Lease by the USACOE.

1.02 Premises. Lessor, in consideration of the covenants and conditions herein set forth, hereby leases to Lessee, and Lessee leases from Lessor, in the condition existing at the inception of this Lease, the following described property, referred to in this Lease as the Premises

PARCEL I

That portion of Lots 2 and 3 of the portion of Rancho La Sierra Yorba allotted to the Prudencia Yorba Estate, in the County of Riverside, State of California, as shown on map recorded in Book 2, Page 21 of Maps, Records of said County, described as follows:

Beginning at the most northeasterly corner of Lot 24, Block 69, Book 2, Page 3 of Maps, San Bernardino County, California, said point being the West boundary line of Smith Avenue and the South boundary line of the abandoned Atchison, Topeka and Santa Fe Railway right of way; thence on a circular curve with a radius of 5,679.65 feet and a central angle of $09^{\circ} 15' 28''$ concave to the South and on the Atchison, Topeka and Santa Fe right of way line, with a length of 917.71 feet, to a point of tangency; thence North $86^{\circ} 03' 03''$ West, a distance of 1,165.98 feet; thence North $03^{\circ} 56' 57''$ East, a distance of 100 feet, said point being on the North boundary line of the Atchison, Topeka and Santa Fe Railway right of way; thence North $03^{\circ} 56' 57''$ East, a distance of 202.22 feet; thence North $46^{\circ} 31' 03''$ West, a distance of 241.23 feet; thence North $86^{\circ} 04' 18''$ West, a distance of 343.66 feet to the true point of beginning; thence North $86^{\circ} 04' 18''$ West, a distance of 798.00 feet; thence North $03^{\circ} 55' 42''$ East, a distance of 462.21 feet; thence South $89^{\circ} 04' 18''$ East, a distance of 680.93 feet; thence North $03^{\circ} 55' 42''$ East, a distance of 9.00 feet; thence South $89^{\circ} 04' 18''$ East, a distance of 118.16 feet; thence South $03^{\circ} 55' 42''$ West, a distance of 513.03 feet to the true point of beginning, containing 8.873 acres; thence North $03^{\circ} 55' 42''$ East, a distance of 353.00 feet; then North $86^{\circ} 04' 18''$ West, a distance of 30.00 feet to Point "A";

Except that portion described as follows:

Beginning at Point "A"; thence North $03^{\circ} 55' 42''$ East, a distance of 40.00 feet; thence North $86^{\circ} 04' 18''$ West, a distance of 38.00 feet; thence South $03^{\circ} 55' 42''$ West, a distance of 40.00 feet; thence South $86^{\circ} 04' 18''$ East, a distance of 38.00 feet, to Point "A," containing 0.035 acres. Therefore, the total net acreage of the leased premises is 8.838 acres.

It is further understood and agreed by the parties hereto that a permanent easement be granted, for construction, maintenance, operation, repair, alteration, replacement, or removal of facilities now or hereafter to be located, across said land.

2. TERM.

2.01 Initial Term. The initial term of this Lease shall commence on the later of (a) the date the Lease is signed by Lessor or (b) the date it is approved by the USACOE and shall continue thereafter for a period until January 31, 2017 ("Initial Term").

2.02 First Additional Term. Provided that Lessee is not then in default under this Lease, the term of this Lease will be automatically extended for one additional term of twenty (20) years ("First Additional Term"), unless Lessee provides Lessor written notice of non-renewal not more than one hundred (100) days nor less than thirty (30) days before the expiration of the Initial Term; provided, however, that this Lease, including the First Additional Term, shall under no circumstances extend beyond the termination date of the Master Lease Agreement between Lessor and the USACOE. If the Master Lease Agreement is terminated for any reason by the USACOE, this Lease shall automatically terminate and Lessor shall not be liable to Lessee for any damages, including but not limited to, loss of rents, loss of business or loss of capital investment incurred as a result of the early termination of this Lease pursuant to this Section; provided, however, that Lessor may, but will not necessarily be, liable to Lessee for damages if the Lease is terminated by Lessor for no reason, or due to Lessor's negligence or willful misconduct.

2.03 Second Additional Term. Provided that Lessee is not then in default under this Lease, the term of this Lease will be extended, at the sole and absolute discretion of Lessor, for an additional term of ten (10) years ("Second Additional Term"), unless Lessee provides Lessor written notice of non-renewal not more than one hundred (100) days nor less than thirty

(30) days before January 31, 2037; provided, however, that this Lease, including the Second Additional Term, shall under no circumstances extend beyond the termination date of the Master Lease Agreement between Lessor and the USACOE. If the Master Lease Agreement is terminated for any reason by the USACOE, this Lease shall automatically terminate and Lessor shall not be liable to Lessee for any damages, including but not limited to, loss of rents, loss of business or loss of capital investment incurred as a result of the early termination of this Lease pursuant to this Section; provided, however, that Lessor may, but will not necessarily be, liable to Lessee for damages if the Lease is terminated by Lessor for no reason, or due to Lessor's negligence or willful misconduct.

2.04 Third Additional Term. Provided that Lessee is not then in default under this Lease, at the sole and absolute discretion of Lessor, the term of this Lease will be extended for an additional term of ten (10) years ("Third Additional Term"), unless Lessee provides Lessor written notice of non-renewal not more than one hundred (100) days nor less than thirty (30) days before January 31, 2047; provided, however, that this Lease, including the Third Additional Term, shall under no circumstances extend beyond the termination date of the Master Lease Agreement between Lessor and the USACOE. If the Master Lease Agreement is terminated for any reason by the USACOE, this Lease shall automatically terminate and Lessor shall not be liable to Lessee for any damages, including but not limited to, loss of rents, loss of business or loss of capital investment incurred as a result of the early termination of this Lease pursuant to this Section; provided, however, that Lessor may, but will not necessarily be, liable to Lessee for damages if the Lease is terminated by Lessor for no reason, or due to Lessor's negligence or willful misconduct.

2.05 Holding Over. If, after the expiration of the term of this Lease, Lessee shall hold over and remain in possession of the Premises with the written consent of Lessor, this Lease shall be extended on a month-to-month basis only, subject to all the provisions of this Lease, including that the rent shall be revised as set forth in Section 3.03.

2.06 Lease of Additional Property. Lessee shall have the option, during the term of this Lease, to lease additional acreage of Airport property adjacent or in close proximity to the Premises under the same terms and conditions of this Lease, but at a rental to be determined by Lessor, when and if Lessor obtains additional acreage for Airport and such acreage is available for leasing.

3. RENT.

3.01 Monthly Basic Rent. Beginning on the commencement date and thereafter throughout the term of this Lease, Lessee shall pay to Lessor, in advance on the tenth (10th) day of each and every calendar month and without demand, deduction, offset, or abatement, monthly rent ("Monthly Basic Rent") as specified in this Lease. The initial Monthly Basic Rent will be THREE THOUSAND SEVEN HUNDRED FORTY-NINE AND 39/100 DOLLARS (\$3,749.39) per month, and shall be adjusted as provided in Sections 3.03 through 3.08. Monthly Basic Rent for any partial calendar month shall be prorated appropriately, and for a partial calendar month at the beginning of the term, such partial month's Monthly Basic Rent shall be paid to Lessor on the first day of the first full calendar month following the Commencement Date.

3.02 Place of Payment. Monthly Basic Rent shall be made payable to the City of Corona and shall be paid at the Office of Parks and Community Services, City of Corona, Civic Center, 815 West Sixth Street, Corona, California or at such other address as provided by Lessor pursuant to Section 19.05.

3.03 Annual Increase. The Monthly Basic Rent shall be adjusted upward or downward, effective January 1st of each year (the "Adjustment Date"), except in those years when the Monthly Basic Rent is adjusted pursuant to Section 3.05, 3.06, 3.07 or 3.08, in an amount equal to the percentage increase or decrease in the United States Bureau of Labor Statistics Consumer Price Index, Los Angeles, All Urban Consumers ("Index"), using as the base the Index for August 2003; provided, however, that the Monthly Basic Rent shall not be decreased below the minimum of \$3,749.39.

3.04 Discontinuation of Index. If publication of the Index is discontinued, the parties shall agree on comparable statistics on the cost of living for the City of Los Angeles as may be published by an agency of the United States or any recognized financial authority. In the event comparable statistics are used, the method of computing the adjusted Monthly Basic Rent shall be revised to carry out the intent herein.

3.05 2017 Revised Monthly Basic Rent. Effective on January 1, 2017, Lessor shall, at the option of Lessor, revise the amount of the Monthly Basic Rent to reflect the fair market rental rate. Lessor shall meet and confer in good faith with Lessee concerning the amount of such revision in accordance with Section 3.09. Such revision shall be determined by the consideration of land value only and shall not, in any manner, be based on the value of Lessee's improvements.

The Monthly Basic Rent revised in accordance with this Section 3.05 ("Revised Monthly Basic Rent") shall, at the option of Lessor, replace the Monthly Basic Rent set forth in Section 3.01 and shall be subject to adjustment as set forth in Section 3.03 except that the Index for August 2017 shall be used as the base. In subsequent years, the Revised Monthly

Basic Rent shall not be decreased below the amount established by Lessor as the Revised Monthly Basic Rent in accordance with this Section 3.05.

3.06 2027 Revised Monthly Basic Rent. Effective on January 1, 2027, Lessor shall, at the option of Lessor, revise the amount of the Monthly Basic Rent to reflect the fair market rental rate. Lessor shall meet and confer in good faith with Lessee concerning the amount of such revision in accordance with Section 3.09. Such revision shall be determined by the consideration of land value only and shall not, in any manner, be based on the value of Lessee's improvements.

The Monthly Basic Rent revised in accordance with this Section 3.06 ("Revised Monthly Basic Rent") shall, at the option of Lessor, replace the Monthly Basic Rent set forth in Sections 3.01 and 3.05, and shall be subject to adjustment as set forth in Section 3.03 except that the Index for August 2027 shall be used as the base. In subsequent years, the Revised Monthly Basic Rent shall not be decreased below the amount established by Lessor as the Revised Monthly Basic Rent in accordance with this Section 3.06.

3.07 2037 Revised Monthly Basic Rent. Effective on January 1, 2037, Lessor shall, at the option of Lessor, revise the amount of the Monthly Basic Rent to reflect the fair market rental rate. Lessor shall meet and confer in good faith with Lessee concerning the amount of such revision in accordance with Section 3.09. Such revision shall be determined by the consideration of land value only and shall not, in any manner, be based on the value of Lessee's improvements.

The Monthly Basic Rent revised in accordance with this Section 3.07 ("Revised Monthly Basic Rent") shall, at the option of Lessor, replace the Monthly Basic Rent set forth in Section 3.01., 3.05 and 3.06, and shall be subject to adjustment as set forth in Section

3.03 except that the Index for August 2037 shall be used as the base. In subsequent years, the Revised Monthly Basic Rent shall not be decreased below the amount established by Lessor as the Revised Monthly Basic Rent in accordance with this Section 3.07.

3.08 2047 Revised Monthly Basic Rent. Effective on January 1, 2047, Lessor shall, at the option of Lessor, revise the amount of the Monthly Basic Rent to reflect the fair market rental rate. Lessor shall meet and confer in good faith with Lessee concerning the amount of such revision in accordance with Section 3.09. Such revision shall be determined by the consideration of land value only and shall not, in any manner, be based on the value of Lessee's improvements.

The Monthly Basic Rent revised in accordance with this Section 3.08 ("Revised Monthly Basic Rent") shall, at the option of Lessor, replace the Monthly Basic Rent set forth in Section 3.01, 3.05, 3.06 and 3.07, and shall be subject to adjustment as set forth in Section 3.03 except that the Index for August 2047 shall be used as the base. In subsequent years, the Revised Monthly Basic Rent shall not be decreased below the amount established by Lessor as the Revised Monthly Basic Rent in accordance with this Section 3.08.

3.09 Cancellation. In July of the calendar year preceding the effective dates specified in Sections 3.05, 3.06, 3.07 and 3.08, Lessee shall notify Lessor of the need to confer regarding the Revised Monthly Basic Rent pursuant to such Sections. If the parties are unable to agree upon a Revised Monthly Basic Rent, either party shall be entitled to cancel this Lease by providing written notice of its election to cancel and terminate this Lease, which notice shall be served no later than November 1 of the calendar year preceding the effective date specified in Sections 3.05, 3.06, 3.07 and 3.08, and shall be effective January 1 of the following calendar year; provided, however, that representatives of each party, who have reasonable settlement

authority, shall first engage in non-binding mediation. The parties may also consider non-binding or binding arbitration upon the mutual agreement of the parties.

4. AIRCRAFT FEE

4.01 Amount of Aircraft Fee. Lessee shall pay to Lessor without abatement, deduction, or offset, on the tenth (10th) day of each month, an "Aircraft Fee" which is the greater of the following:

(a) Seven and 50/100 Dollars (\$7.50) per month per aircraft for each aircraft stored, parked or tied down on the Premises on the date the monthly operating report is required to be submitted to Lessor; provided, however, that if the number of outside tie downs is five (5) or fewer, this amount shall be Nine and No/100 (\$9.00) per month per aircraft for each aircraft stored, parked or tied down on the Premises on the date the monthly operating report is required to be submitted to Lessor. This amount shall be adjusted upward or downward, effective January 1st of each year, beginning January 1, 2010, in an amount equal to the percentage increase or decrease in the Index, using as a base the Index for August 2006; provided however, that this amount shall not be decreased below applicable minimums of Seven and 50/100 Dollars (\$7.50) or Nine and No/100 (\$9.00), as provided for above. Lessor will use its reasonable best efforts to include the same index increase or decrease in all Airport leases entered into or renegotiated hereafter between Lessor and other leaseholders.

(b) Twenty percent (20%) of the multiple of the total number of aircraft stored, parked or tied down on the Premises on the date the monthly operation report is required to be submitted to Lessor times the highest monthly outside tie down charge charged by Lessee for the tying down of aircraft. The Aircraft Fee has no relation to the rental charged by Lessee for storage or parking of aircraft in hangars; rather, it is computed solely on the basis of

the highest outside tie down fee charged by the Lessee, applied to all aircraft parked, tied down or stored on the Premises.

4.02 Application to Lessee's Aircraft. The Aircraft Fee shall not apply to any aircraft owned or leased by Lessee.

4.03 Initial or Up-Front Fee. Lessor shall not be entitled to a percentage of any initial or up-front fee charged by Lessee to persons or entities who intend to store aircraft in hangars to be constructed by Lessee on the Premises; provided, however, that in no event shall this initial or up-front fee result in any reduction, adjustment or waiver, in whole or in part, of the fee on which Lessee's Aircraft Fee is based pursuant to Section 4.01(b). The amount of any initial or up-front fee must be approved by Lessor and the USACOE.

5. FUEL FLOWAGE FEE.

5.01 Fees. Lessee is given the privilege of selling oil and aviation fuel, including gasoline, on the leased premises to any person, including members of the public. Lessee shall pay Lessor fuel flowage fees as follows:

- (a) \$0.02/gallon through December 30, 2004;
- (b) \$0.03/gallon beginning December 31, 2004;
- (c) \$0.04/gallon when new hangars are built and completed (as evidenced by Certificates of Occupancy), or beginning December 31, 2007, whichever is earliest;
- (d) \$0.05 per gallon beginning December 31, 2010;
- (e) \$0.06 per gallon beginning December 31, 2013;
- (f) \$0.07 per gallon beginning December 31, 2016; and
- (g) Four percent (4%) of wholesale delivery price beginning January 31, 2017 if the Lease is extended beyond that date.

Lessee shall pay Lessor a fee of Five Cents (\$0.05) per gallon on all oil delivered to the Premises.

5.02 Documentation. Lessee shall provide a copy of each fuel delivery invoice to Lessor within ten (10) days after the end of each month. Lessee shall retain all documents and papers, including invoices, reflecting the amounts, times and dates of said deliveries and immediately submit said papers and documents to Lessor upon its request to review the same. Lessee shall authorize the persons delivering said oil and aviation fuel to make said fee payments on all such deliveries to Lessor on a monthly basis, no later than ten (10) calendar days after the first day of each and every month during the term of this Lease; provided, however, if said persons refuse to, or fail to, make such payments, Lessee shall make them at the time and in the manner aforesaid.

6. INTEREST AND TAXES.

6.01 Interest. Any required payment of rent, Aircraft Fees or fuel flowage fees that are not paid to Lessor within the timeframes set forth in Sections 3.01, 4.01 and 5.01 shall commence to bear interest at the rate of ten percent (10%) per annum from the date due until fully paid. Neither the accrual nor Lessee's payment of interest shall be deemed to cure any default by Lessee under this Lease.

6.02 Tax Liability. Lessee shall pay before delinquency any and all property taxes, assessments, fees, or charges, including but not limited to possessory interest taxes, which may be levied or assessed upon any personal property, improvements or fixtures installed or belonging to Lessee and located on the Premises. Lessee shall also pay all license or permit fees necessary or required by law for the conduct of its operation and/or levied in accordance with Section 107 of the California Revenue and Taxation Code. Lessee recognizes and understands

that this Lease may create a possessory interest subject to property taxation and that the Lessee may be subject to the payment of property taxes levied on such interest. Lessee shall provide an annual list of all aircraft hangars and/or tie-down on the Premises and any additional information needed by Riverside County for tax purposes.

6.03 Tax Contest. Lessee may contest the legal validity or amount of any taxes, assessments, or charges for which Lessee is responsible under this Lease and may institute such proceedings as Lessee considers necessary. If Lessee contests any such tax, assessments or charges, Lessee may withhold or defer payment or pay under protest, but shall protect Lessor and the Premises from any lien by adequate surety bond or other appropriate security.

6.04 Payment by Lessor for Lessee. Should Lessee fail to pay such taxes, assessments, or charges, Lessor may, at its option, pay such taxes, assessments, or charges together with all penalties and interest which may have been added thereto by reason of Lessee's delinquency or default, and may likewise redeem the Premises, or any part thereof, from any tax sale or sales. Any such amounts so paid by Lessor shall become immediately due and payable as rent by Lessee to Lessor, together with interest thereon at the rate of seven percent (7%) per annum from the date of payment by Lessor until paid by Lessee. Any such payment by Lessor shall not be deemed to be a waiver of any other rights which Lessor may have under the provisions of the Lease or as provided by law.

7. UTILITIES.

Lessee shall pay without abatement, deduction or offset any and all utility bills of whatever kind or nature incurred upon the Premises during the term of this Lease, including but not limited to charges for lights, water, gas, telephone, sewage, heating, garbage disposal, electricity, power, janitor service or any other utility charges, for the Premises.

8. USES.

The Premises shall be used by Lessee solely for general aviation and airport purposes, including storage, parking and maintenance of aircraft and other lawful purposes incidental thereto.

9. IMPROVEMENTS.

9.01 Construction. Lessee may, subject to prior written approval of Lessor, construct buildings upon or otherwise improve or modify the Premises. All construction shall be performed pursuant to standard plan submission and approval procedures and shall be done in conformity with all county, city, state and federal regulations applicable to said construction. Lessor's Parks and Community Services staff has reviewed plans submitted by Lessee showing square footages and locations of new hangars, which shall not exceed the number of existing tie-downs plus the number of old hangars replaced. Lessor's Parks and Community Services staff will use its reasonable best efforts to support such plans in concept and in their current form, but such plans are subject to final approval in accordance with all applicable laws, rules and regulations, and Lessor cannot warrant or guarantee such approval.

9.02 Compliance with National Pollution Discharge Elimination System Rules.

Lessor shall make every effort to ensure its compliance and the compliance of its licensees and tenants with the National Pollution Discharge Elimination System storm water rules.

9.03 Signs. Lessee may, subject to the prior written approval of Lessor and subject to all applicable rules, regulations and laws of Lessor, the county, the state and federal government, erect and maintain signs on the Premises. All signs must be approved by the USACOE.

9.04 Restroom Facilities. Lessee shall, at its sole cost and expense, provide restroom facilities on the Premises that conform to all applicable federal, state, county and local rules, regulations and requirements.

9.05 Title to Improvements. Title to the existing improvements and the improvements placed on the Premises by Lessee shall be held by Lessee. All of the improvements shall remain the property of Lessee and shall not be deemed to be fixtures.

9.06 Removal of Improvements. Within one hundred twenty (120) days after the expiration of this Lease (or promptly upon any early termination), Lessee shall remove any and all buildings, improvements, fixtures and equipment from the Premises, including any buildings, improvements, fixtures and equipment on the Premises as of the date of this Lease, and shall restore the Premises to the condition of asphalt and/or concrete and in approximately level condition and free from all nuisance and dangerous and defective conditions. Removal of improvements shall be done in a manner as not to physically injure or damage the Premises, and in the event of unavoidable damage, Lessee agrees, at its own cost and expense, to restore the Premises. Should Lessee fail to remove any buildings or improvements after such one hundred twenty (120) days (or within thirty (30) days following written demand for prompt removal following early termination), title to such buildings or improvements, Section 9.05 notwithstanding, shall transfer to Lessor who shall at its option retain for itself the buildings or improvements not removed or shall remove and dispose of the buildings and improvements in a reasonable manner at the expense of Lessee. Lessee shall reimburse Lessor for such expenses within thirty (30) days of a written demand for payment. Lessee's obligations pursuant to this Section 9.06 shall survive the expiration or other termination of this Lease.

10. MAINTENANCE.

10.01 As Is Condition. Lessee represents that it has inspected and examined the Premises, that no statements or representations as to the condition or repair of the Premises have been made by Lessor, and Lessee accepts the Premises in their present condition.

10.02 Repairs. Lessee, at Lessee's sole cost and expense, shall maintain and repair the Premises and any buildings or improvements on the Premises in good and safe condition and in compliance with all applicable laws, ordinances, rules and regulations. Lessee agrees to keep the grass mowed, weeds cut and pot holes repaired. Lessor shall use its reasonable best efforts to appropriate funds to make necessary improvements and perform regular maintenance on the property owned or controlled by it to facilitate Lessee's business, but cannot guarantee or warrant that such funds will be made available. **Lessee specifically waives all rights to make repairs at the expense of Lessor as provided in Section 1942 of the California Civil Code, or by any other law, statute or ordinance.**

10.03 Landscaping. Lessee, at its sole cost and expense, shall surface, landscape and maintain the area of the Airport between the northern property line of the Premises and the south edge of the Airport taxi way. The materials and configuration of said landscaping and surfacing shall be subject to the approval of the Airport Manager and shall be completed within a reasonable period of time as determined by the Airport Manager.

10.04 Tie Down Surface Covering. Lessee, at its sole cost and expense, shall provide and maintain surface covering for the tie down areas of the Premises. Such surface covering shall be of sufficient quality and composition to satisfactorily prevent the raising of sand, dust and dirt from the tie down areas.

10.05 Waste or Nuisance. Lessee shall not use or allow any of its licensees or tenants to use the Premises in any manner or for any purpose that will constitute waste, nuisance,

or unreasonable annoyance to other occupants of the Airport or to the owners or occupants of adjacent properties. Lessee's responsibility is limited to doing everything within its power to have its licensees and tenants to adhere to the provisions of this Paragraph or to initiate eviction proceedings.

10.06 Hazardous Substances. Lessee agrees that any and all handling, transportation, storage, treatment, disposal, or use of Hazardous Substances by Lessee in or about the Premises shall strictly comply with all applicable federal, state and local environmental laws, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, the Clean Water Act, and the Toxic Substances Act. Hazardous Substances includes without limitation petroleum or any petroleum product, lead, asbestos, polychlorinated biphenyl, any substance known by the State of California to cause cancer and/or reproductive toxicity, and/or any substance, chemical or waste that is identified as hazardous, toxic or dangerous in any applicable federal, state or local law or regulation.

(a) Lessee agrees to indemnify and defend Lessor harmless from any liabilities, losses, claims, damages, penalties, fines, attorneys' fees, expert fees, court costs, remediation costs, investigation costs, or other expenses resulting from or arising out of the use, storage, treatment, transportation, release or disposal of Hazardous Substances on or about the Premises by Lessee, its officers, agents, or employees.

(b) If the presence of Hazardous Substances on the Premises caused or permitted by Lessee results in the contamination or deterioration of the Premises or any water or soil, Lessee shall promptly take all action necessary to investigate and remedy that contamination. Lessor represents that it is unaware of any contamination at the time of the

execution of this Lease, based on the letter from the County of Riverside, Community Health Agency, Department of Environmental Health, dated August 25, 2003.

(c) Lessee shall not use, handle, store, transport, generate, release, or dispose of any Hazardous Substances on, under, or about the Premises, except that Lessee may use (i) small quantities of common chemicals such as adhesives, lubricants, and cleaning fluids associated with permitted uses of the Premises and (ii) other Hazardous Substances that are necessary for the permitted uses of the Premises and for which Lessor gives written consent prior to the Hazardous Substances being brought onto the Premises. At any time during the term of this Lease, Lessee shall, within ten (10) days after written request from Lessor, disclose in writing all Hazardous Substances that are being used by Lessee on the Premises, the nature of the use, and the manner of storage and disposal.

11. COMMON RIGHTS OF USE.

Lessee shall have in common with all current and future users of the Airport the use of other Airport facilities as are necessary and convenient for Lessee's operation, subject to full compliance by Lessee with all rules and regulations of Lessor pertaining to the Airport.

12. RECORDS AND ACCOUNTS.

12.01 Retention of Records. Lessee agrees to and shall keep records and reports and books of account substantially in accordance with generally accepted accounting principals to reflect accurately the gross receipts, expenditures, and net income to Lessee concerned with and related to its operations and activities on the Premises. Lessee further agrees that all of its gross receipts from every source related to said operation and activity shall be accurately

recorded on its books and records and books of accounts, and that said books, records and books of account may be audited from time to time by such person or persons as Lessor designates.

12.02 Annual Report. If requested by the USACOE, Lessee agrees to and shall furnish Lessor within thirty (30) days after the end of each fiscal year a statement of all of its gross receipts, expenditures and net income concerning and related to its operation and activities on the Premises.

12.03 Inspection of Records. Lessee agrees to and shall give to Lessor and its duly authorized representatives, including a reputable independent accountant, the right of reasonable access to inspection and examination of its books, records and reports concerning and related to income from and expenditures for its operations and conduct on the Premises. Lessee further agrees that its financial books, records and accounts pertaining to its operations and activities on the premises shall be maintained intact for a period of not less than five (5) years.

12.04 Monthly Report. Lessee agrees to and shall for the term of this Lease submit to the Airport Manager of Lessor, no later than the tenth (10th) day of each and every month, a monthly report concerning certain phases of Lessee's operations on the Premises, including but not limited to an inventory of all aircraft based on the Premises and copies of insurance policies for each, a list of the number of students being trained by Lessee or its representatives, if applicable, and a list of any aircraft, new or used, which were sold by Lessee during the immediately preceding calendar month. The form and required content of said monthly operating report shall be subject to modification from time to time by Lessor after Lessor's consultation with Lessee concerning any proposed modifications.

13. INSURANCE.

13.01 Time for Compliance. Lessee shall not commence work under this Lease until it has provided evidence satisfactory to the Lessor that it has secured all insurance required

under this section. In addition, Lessee shall not allow any sublessee to commence work on any sublease until it has provided evidence satisfactory to Lessor that the sublessee has secured all insurance required under this section.

13.02 Minimum Requirements. Lessee shall, at its expense, procure and maintain for the duration of the Lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Lease by the Lessee, its agents, representatives, employees or sublessees. Lessee shall also require all of its sublessees to procure and maintain the same insurance for the duration of the Lease. Such insurance shall meet at least the following minimum levels of coverage:

(a) Minimum Scope of Insurance. Coverage shall be at least as broad as the following: (1) Aviation General Liability; (2) Automobile Liability: Insurance Services Office Business Auto Coverage form number CA 0001, code 1 (any auto); and (3) Workers' Compensation and Employer's Liability: Workers' Compensation insurance as required by the State of California and Employer's Liability Insurance.

(b) Minimum Limits of Insurance. Lessee shall maintain limits no less than: (1) Aviation Liability Insurance: \$1,000,000 per occurrence for Hangarkeepers, Premises liability, Completed Operations, bodily injury, personal injury and property damage. Products liability, Refueling liability with separate limits of \$5,000,000 which may be achieved by a combination of underlying liability policies and umbrella policies (2) Automobile Liability: ISO Business Auto Coverage in the amount of \$2,000,000 per accident for bodily injury and property damage; and (3) Workers' Compensation and Employer's Liability: Workers' Compensation limits as required by the Labor Code of the State of California. Employer's Liability limits of \$1,000,000 per accident for bodily injury or disease.

13.03 Insurance Endorsements. The insurance policies shall contain the following provisions, or Lessee shall provide endorsements on forms supplied or approved by Lessor to add the following provisions to the insurance policies.

(a) General Liability. The general liability policy shall be endorsed to state that: (1) Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers shall be covered as additional insured with respect to the work or operations performed by or on behalf of the Lessee, including materials, parts or equipment furnished in connection with such work; and (2) the insurance coverage shall be primary insurance as respects Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Lessee's scheduled underlying coverage. Any insurance or self-insurance maintained by Lessor, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Lessee's insurance and shall not be called upon to contribute with it in any way.

(b) Automobile Liability. The automobile liability policy shall be endorsed to state that: (1) Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers shall be covered as additional insureds with respect to the ownership, operation, maintenance, use, loading or unloading of any auto owned, leased, hired or borrowed by the Lessee or for which the Lessee is responsible; and (2) the insurance coverage shall be primary insurance as respects Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers, or if excess, shall stand in an unbroken chain of coverage excess of the Lessee's scheduled underlying coverage. Any insurance or self-insurance maintained by Lessor, its directors, officials, officers, employees, agents, and volunteers shall be excess of the Lessee's insurance and shall not be called upon to contribute with it in any way.

(c) Workers' Compensation and Employer's Liability Coverage. The insurer shall agree to waive all rights of subrogation against Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers for losses paid under the terms of the insurance policy which arise from work performed by the Lessee.

(d) All Coverages. Each insurance policy required by this Lease shall be endorsed to state that: (1) coverage shall not be suspended, voided, reduced or canceled except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to Lessor; and (2) any failure to comply with reporting or other provisions of the policies, including breaches of warranties, shall not affect coverage provided to Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers.

13.04 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers.

13.05 Deductibles and Self-Insurance Retentions. Any deductibles or self-insured retentions must be declared to and approved by Lessor. Lessee shall guarantee that if the deductible is not acceptable, the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects Lessor and the USACOE, their directors, officials, officers, employees, agents, and volunteers; or (2) the Lease will be void.

13.06 Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best's rating no less than A:VIII, licensed to do business in California, and satisfactory to Lessor.

13.07 Verification of Coverage. Lessee shall furnish Lessor and the USACOE with original certificates of insurance and endorsements effecting coverage required by this Lease on forms satisfactory to Lessor. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf, and shall be on forms provided by Lessor if requested. All certificates and endorsements must be received and approved by Lessor before work commences. Lessor reserves the right to require complete, certified copies of all required insurance policies, at any time.

13.08 Reporting of Claims. Lessee shall report to Lessor, in addition to Lessee's insurer, any and all insurance claims submitted by Lessee in connection with the Services under this Lease.

13.09 Review of Coverage Limits. Not more frequently than every two (2) years, if, in the reasonable opinion of Lessor's Risk Manager, the amount of the insurance policies provided for in this Article is not reasonably adequate, Lessee shall increase the insurance coverage as recommended by Lessor's Risk Manager. Lessor will use its reasonable best efforts to implement the insurance provisions in this Lease in its other Airport Leases.

13.10 Failure to Maintain Insurance. If Lessee at anytime during the term of this lease shall fail to secure or maintain the foregoing insurance, Lessor shall be permitted to obtain such insurance in Lessor's name or as the agent of Lessee. Any amount so paid by Lessor as insurance premiums shall become immediately due and payable as rent by Lessee to Lessor, together with interest on such paid insurance premiums at the rate of seven percent (7%) per annum computed from the date written notice is received that the premiums have been paid.

14. INDEMNITY.

14.01 General. This Lease is made on the express condition that Lessor and the USACOE are to be free from all liability or loss by reason of injury to any person or property,

from whatever cause, while in or on the Premises, or in any way connected with the Premises or with the improvements or personal property therein or thereon, including any liability for injury to the person or property of Lessee, its agents, officers, and employees, except where prohibited by law.

14.02 Hold Harmless. Lessee hereby agrees to and shall indemnify, defend and hold harmless Lessor and the USACOE, their officers, employees, agents and volunteers from any and all claims, actions, damages, liability, losses, costs, or obligations on account of, or arising out of, this Lease from any cause whatsoever, including the acts, errors or omissions of any person and for any costs or expenses incurred by Lessor and the USACOE on any claim therefore, except where such indemnification is prohibited by law.

14.03 Flood Control. Lessee specifically agrees to hold Lessor and the USACOE, their officers, employees, agents and volunteers harmless from any and all claims or rights of action for damages which may or might arise or accrue to Lessee, its officers, members, agents, servants, employees, or others who may be on the Premises at Lessee's invitation or the invitation of any one of them, by reason of injuries to the property or the person of any of them resulting from the reasonable entry upon or the use of the Premises by Lessor and the USACOE, or any of them, at any time, for any purpose necessary or convenient in connection with river and flood control work, or for the removal of timber required or necessary for such work, or by reason of the flooding of the Premises, or any part thereof, when in the judgment of any of them such flooding is necessary in connection with flood control work. Lessee acknowledges the Premises are in a flood plain and can flood at any time, and releases Lessor and the USACOE, their officers, employees, agents and volunteers of any and all liability, claims or damages caused by flooding.

14.04 Liabilities for Injuries to a Person or Property. Lessee agrees and covenants to indemnify, defend and hold harmless Lessor and the USACOE from any and all claims or causes of action by Lessee or its officers, agents, employees, permittees, invitees, or guests for any damage caused to their persons or property caused by or resulting from: (a) fire, smoke, steam, electricity, gas, water, rain, snow, or ice which may leak or flow from or into any part of the Premises, (b) breakage, leakage, obstruction or other defects of the pipes, wires, appliances, tanks, plumbing, lighting fixtures or drainage, heating, ventilation and air conditioning systems of or serving the Premises, (c) storms, earthquakes, floods, or other Acts of God, (d) vandalism, riots, civil commotion or malicious mischief. Nor shall Lessor or the USACOE be liable for any injury to property of Lessee, its officers, agents, employees, permittees, subLessees or invitees by reason of the occupation and enjoyment of the Premises by Lessee, except where such indemnification is prohibited by law.

15. ASSIGNMENT AND SUBLETTING.

15.01 Assignment, Mortgage or Sublease. Lessee shall not voluntarily assign, mortgage, sublet or encumber all or any part of the Premises, or allow any other person or entity (except Lessee's authorized representatives) to occupy or use all or any part of the Premises. Lessee shall not assign, hypothecate, mortgage or pledge this Lease except as provided herein, without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Any assignment, encumbrance or sublease without Lessor's prior written consent shall be voidable and, at Lessor's election, shall constitute a default. A consent to one assignment, subletting, occupation, or use by another person or entity shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person or entity.

15.02 License Agreements. Lessee shall be entitled to enter into individual license agreements with private aircraft owners for parking, storing or tying down of aircraft; provided, such agreements shall be in writing.

15.03 Construction. Lessee is authorized to encumber its leasehold incidental to construction of improvements on the Premises subject to prior written notice to Lessor. If a sale or foreclosure under an approved encumbrance occurs, or if the lender acquires the property by assignment in lieu of foreclosure, said purchaser or assignee, as successor-in-interest to Lessee, will be bound by the terms of this Lease and will assume all the obligations of Lessee hereunder.

15.04 Subletting. In the event Lessor gives written consent and approval to any subletting, the transferee(s) and assignee(s) shall, in writing, assume all obligations of this Lease and agree to be bound by all terms of the Lease without in any way limiting, releasing, or discharging the original Lessee from any liability under any provision of this Lease on account of such transfer or assignment.

15.05 Assignment. In the event Lessor gives written consent and approval to any transfer or assignment, the transferee(s) and assignee(s) shall, in writing, assume all obligations of this Lease and agree to be bound by all terms of the Lease without in any way limiting, releasing, or discharging the original Lessee from any liability under any provision of this Lease preexisting or arising out of and incidental to such transfer or assignment. In other words, with the exception of any liability preexisting or arising out of and incidental to such transfer or assignment by Lessee, Lessee shall not remain obligated or otherwise liable under the Lease.

15.06 Written Instrument. No subletting of any interest, or of any portion of the Premises, or any transfer or assignment of any sublease hereunder, whether voluntary or

involuntary, by operation of law or otherwise, shall be valid unless the same is accomplished by written instrument, wherein the sublessee and/or assignee of the sublease shall expressly agree that said sublease and/or assignment is subject and subordinate thereto, and said sublessee and/or assignee of said sublease shall expressly agree to be governed thereby.

15.07 Assignment of Rent. Lessee immediately and irrevocably assigns to Lessor, as security for Lessee's obligations under this Lease, all rent from any subletting of all or a part of the Premises as permitted by this Lease, and Lessor, as assignee and as attorney-in-fact for Lessee, or a receiver for Lessee appointed on Lessor's application, may collect such rent and apply it toward Lessee's obligations under this Lease; except that, until the occurrence of an act of default by Lessee, Lessee shall have the right to collect such rent.

15.08 Shop Facilities. Lessor hereby agrees the Lessee shall have the right, subject to the conditions enumerated herein including the requirement of Lessor's prior written consent, to sublease or rent for shop facilities not more than fifteen percent (15%) of the total hangar space constructed on the Premises, said facilities to be used solely for providing services for the customary aviation business operations of Lessee and to be constructed, installed and used in conformity and in compliance with all laws, ordinances, rules and regulations of any duly authorized governmental body relating directly or indirectly to such construction, installation and use. The term "hangar space," for purposes of such fifteen percent (15%) calculation, shall not include office or building space other than hangar space, and also shall not include the office or storage area at each end of the nested "T" hangar building.

16. CANCELLATION OF LEASE.

16.01 Cancellation by Lessor. It is understood and agreed by the parties hereto that Lessor shall and hereby does reserve the right to cancel or terminate this Lease at any time should it be reasonably determined by the City Council of Lessor that the public necessity and

convenience require it to do so, by serving upon Lessee, in the manner hereinafter provided, a written notice of its election to cancel and terminate, which notice shall be served at least one hundred eighty (180) days prior to the date stated in said notice of cancellation or termination. In the event such termination is effected pursuant to this Section 16.01, Lessee or its assigns shall be entitled to such damages, if any, arising therefrom, as may be mutually agreed upon by the parties hereto, or in the event mutual agreement is not possible, such dispute shall be resolved in an action filed and maintained in the superior court in Riverside County; provided, however, that representatives of each party, who have reasonable settlement authority, shall first engage in non-binding mediation. The parties may also consider non-binding or binding arbitration upon the mutual agreement of the parties.

16.02 Cancellation by Lessee. It is understood and agreed by the parties hereto that Lessee shall have, and is hereby given, the right to cancel or terminate this Lease, upon thirty (30) days' advance notice in writing to Lessor, in the event that during the term of this Lease Lessee is prohibited by statute, ordinance, administrative rule or regulation, as any statute, ordinance, rule or regulation now exists or may hereafter provide, from conducting on the Premises the business for which the Premises are leased as hereinbefore provided.

16.03 No Further Objections. It is understood and agreed by the parties hereto that upon the effective date of a cancellation or termination of this Lease as provided in this Article, they shall be under no further obligation or liability to each other by reason of this Lease; provided, however, that Lessee shall be liable to Lessor for the breach of any term, covenant or condition of this Lease occurring prior to the date of Lessee's surrender of the Premises as herein provided. In addition, Lessee shall be required to comply with Section 9.06 regarding the condition of the Premises following early termination of this Lease.

17. DEFAULT.

17.01 Events of Default. Each of the following events shall be a breach of this Lease by Lessee and Lessee shall be in default hereunder, entitling Lessor to terminate and end this Lease, if said breach shall continue for a period of thirty (30) days after Lessor serves upon Lessee written notice of default if it is curable within such thirty (30) days, or if Lessee fails to institute and diligently pursue reasonable corrective or ameliorative acts for defaults not reasonably curable within such thirty (30) days:

(a) Failure or refusal to pay when due any installment of rent, or any Aircraft Fee, fuel flowage fee, utility charge, tax, assessment, insurance premium, lien, claim, charge or demand provided in this Lease to be paid.

(b) Abandonment or surrender of the Premises or the Lease. In such event, Lessor may, subject to the rights of third parties therein, take possession of any personal property left on the Premises and dispose of the same at the election of Lessor at the time and in the manner provided by law.

(c) The failure to commence or complete construction of any improvement on the Premises within the time and manner specified in this Lease.

(d) The failure to use, maintain and operate the Premises as required in this Lease.

(e) The failure to perform any other covenant, condition, or term of this Lease herein provided to be kept or performed by Lessee.

(f) The appointment of a receiver to take possession of the Premises or improvements or of Lessee's interest in the leasehold estate or of Lessee's operations on the Premises for any reason, including but not limited to assignment for the benefit of creditors or voluntary or involuntary bankruptcy proceedings; excluding, however, receivership (1) pursuant

to administration of the estate of any deceased or incompetent Lessee or (2) pursuant to any mortgage permitted by the provisions of this Lease relating to purchase or construction of improvements.

(g) An assignment by Lessee for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Lessee under any law for the purpose of adjudicating Lessee a bankrupt; or for extending time for payment, adjustment or satisfaction of Lessee's liabilities; or for reorganization, dissolution or arrangement on account of or to prevent bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders, adjudications, custodies and supervisions are dismissed, vacated or otherwise permanently stayed or terminated within forty-five (45) days after the assignment, filing or other initial event.

17.02 Lessor's Remedies. In case of default by Lessee (as defined in Section 17.01, i.e., breach continues for a period of thirty (30) days after Lessor serves upon Lessee written notice of default if it is curable within such thirty (30) days, or if Lessee fails to institute and diligently pursue reasonable corrective or ameliorative acts for defaults not reasonably curable within such thirty (30) days), Lessor has the following remedies in addition to all of the rights and remedies provided by law or equity to which Lessor may resort cumulatively or in the alternative, and no one right or remedy shall be exclusive of the other; provided, however, that representatives of each party, who have reasonable settlement authority, shall first engage in non-binding mediation. The parties may also consider non-binding or binding arbitration upon the mutual agreement of the parties:

(a) Lessor may at Lessor's election, upon thirty (30) days' prior written notice to Lessee, declare this Lease and all and any rights created by it to be terminated. Upon such termination, Lessor may, without further notice, demand or legal process, reenter and

take possession of the Premises and all improvements thereon (if any) and remove therefrom Lessee and all persons claiming under Lessee, and Lessee and all such persons shall quit and surrender possession of the Premises and all improvements thereon (if any) to Lessor. Lessee may remove its improvements per Section 9.06.

Lessor may thereupon re-lease the Premises for and on account of Lessee on such terms, conditions and rents as Lessor may deem appropriate and apply all sums collected thereby, less the expense of such reletting, including broker's and agent's expenses and the expense of collecting rent, upon the rent to be paid by Lessee. Lessee does hereby agree to pay monthly to Lessor the difference between the monthly rental so procured, and the amount of the rental hereunder provided.

In the event Lessor shall relet the Premises for a term equal to or in excess of the unexpired term of this Lease, Lessee does hereby agree to pay to Lessor the difference between the amount agreed to be paid for the unexpired portion of the term, and the rental agreed to be paid for the unexpired portion of the term by the new Tenant, less all costs and expenses as herein provided.

(b) Lessor shall be entitled at Lessor's election to damages in the following sums:

(1) The worth at the time of award of the unpaid rent which had been earned at the time of termination;

(2) The worth at the time of 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 Lessee proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss for such period that Lessee proves could be reasonably avoided;

(4) Any other amount necessary to compensate Lessor for all the detriment proximately caused by Lessee's failure to perform its obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom;

(5) The 'worth at the time of award' of the amounts referred to in Subsections (1) and (2) above is computed by allowing interest at the rate of seven percent (7%) per annum. The worth at the time of award of the amount referred to in Subsection (3) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(c) At Lessor's election, Lessor can continue this Lease in effect for so long as it does not terminate Lessee's right to possession, provided that it has given no notice of termination. In such case, Lessor may enforce all its rights and duties under this Lease, including but not limited to the right to recover rent as it becomes due.

17.03 Effects of Termination. A termination of this Lease shall not relieve Lessee from the payment of any sum or sums that shall be then due and payable to Lessor hereunder or any claim for damages against Lessee arising from this Lease. Any such termination shall not prevent Lessor from enforcing the payment of any such sum or sums or claim for damages by any remedy provided by law or from recovering damages from Lessee for a default hereunder.

17.04 Lessor's Default. Lessor shall not be considered to be in default under this Lease unless (a) Lessor is given notice specifying the default and (b) Lessor has failed for thirty

(30) days to cure the default, if it is curable within such thirty (30) days, or if Lessee fails to institute and diligently pursue reasonable corrective or ameliorative acts for defaults not reasonably curable within such thirty (30) days. Lessee shall have the right of termination for Lessor's default only after notice to and consent by all mortgagees under mortgages then existing under provisions of this Lease relating to purchase or construction of improvements. Lessee waives the protections of Sections 1932 and 1933 of the California Civil Code.

17.05 Waiver. No waiver of any default hereunder shall constitute a waiver of any other breach or default, whether of the same term or any other covenant or condition. No waiver, benefit, privilege or service voluntarily given or performed by another party shall give the other any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent or fees, or both pursuant to this Lease shall not constitute a waiver of any preceding default by Lessee other than default in the payment of the particular rental payment so accepted, regardless of Lessor's knowledge of the preceding breach at the time of accepting the rent, nor shall acceptance of rent or any other payment after termination constitute a reinstatement, extension or renewal of the Lease or revocation of any notice or any other act by Lessor.

18. ATTORNEY'S FEES.

In the event that either party shall commence any legal action or proceeding, including an action for declaratory relief, against the other by reason of the alleged failure of the other to perform or keep any term, covenant or condition of this Lease, the party prevailing in said action or proceeding shall be entitled to recover, in addition to its court costs, expert witness fees and reasonable attorney's fees to be fixed by the court, and such recovery shall include court costs and attorney's fees on appeal, if any.

19. GENERAL PROVISIONS.

19.01 Provide Access. Lessee shall allow access to the Premises by authorized representatives of Lessor, the City of Corona and the USACOE in all cases of emergency and during all normal business hours for the purpose of examination or inspection of the Premises, without requirement of prior notice.

19.02 Time of Essence. Time is hereby expressly declared to be of the essence of this Lease, and all of the covenants and agreements herein made and of the obligations agreed to be performed by the Lessee, are conditions precedent to be fulfilled and faithfully performed and observed by the Lessee to entitle it to continue in the possession of the Premises.

19.03 Lessor - Lessee Relationship. It is expressly understood and agreed that by entering into this Lease, Lessor does not, in any way nor for any purpose, become a partner of Lessee or a joint venturer with Lessee.

19.04 Equal Opportunity. Neither Lessee, nor any of its agents shall discriminate against any employee or applicant for employment because of race, religion, color or national origin. Lessee shall not discriminate because of race, religion, color or national origin against any person by refusing to furnish such person any accommodations, facility, service or privilege offered to or enjoyed by the general public. Nor shall Lessee, or any of its agents, publicize the accommodations, facilities, services or privileges provided on the Premises in any manner that would directly or inferentially reflect upon or question the acceptability of the patronage of any person because of race, color or national origin.

19.05 Notices. Any notices which are required hereunder, or which either Lessor or Lessee may desire to serve upon the other, shall be in writing and either personally served or sent by registered or certified mail.

(a) Notices and demands to Lessor shall be addressed as follows:

City of Corona
Civic Center
815 West Sixth Street
Corona, California 92882-3238
Attn: Airport Manager

- (b) Notices and demands to Lessee shall be addressed as follows:

Corona Air Ventures, LLC
P.O. Box 1267
Anaheim, California 92815
Attn: C.B. Nanda

(c) Any such notice or demand shall be deemed served at the time of delivery if delivered in person or on the business day following deposit thereof in the U.S. Mail where sent by registered or certified mail.

19.06 Faithful Performance. Lessor has executed this Lease on the terms, covenants and agreements specified and set forth in this Lease and not otherwise, and Lessor and Lessee covenant and agree faithfully to keep and perform each and every covenant of this Lease, and the true and faithful performance of each and every term, covenant and agreement is hereby declared to be a condition of the term hereof.

19.07 Binding Effect. This Agreement of Lease, its terms, conditions, covenants and agreements shall inure to the benefit of and be binding upon the successors and assigns of Lessor and upon the heirs, successors, administrators, executors and/or assigns of Lessee, and all of the provisions hereof shall be deemed covenants running with the Premises.

19.08 National Emergency. In the event a national emergency is declared by the President of the United States and, as a result thereof, private aircraft flights are restricted, Lessee may utilize the private aircraft hangars on the Premises for purposes other than storing and parking private aircraft, subject to said purposes complying with all applicable laws, ordinances and regulations of any duly constituted governmental body, agency, board or department.

19.09 Entire Agreement. This Lease contains the entire agreement between the parties relating hereto. All prior negotiations or stipulations concerning its matter which preceded or accompanied the execution of this Lease are collectively and conclusively deemed to be superceded hereby; provided, however, that this Lease may in the future be altered by written agreement of the parties or by an executed oral agreement, and not otherwise.

19.10 Excuse of Performance. If either party shall be delayed or prevented from the performance of any act required by this Lease, including the payment of rent, by reason of acts of God, strikes, walkouts, labor troubles, inability to procure materials, restrictive governmental laws or regulations, civil disobedience or riot, labor disputes or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such acts shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay; provided, further, Lessor may in its discretion waive the payment of any rent required of Lessee during such period. Any such waiver shall not be construed to be a waiver of any succeeding or preceding breach in the payment of rentals.

19.11 Compliance with All Laws. Lessee covenants and agrees that all operations and enterprises conducted on the Premises shall comply with all laws, ordinances,

rules and regulations of the federal government, State of California, County of Riverside, City of Corona, and any other duly constituted governmental body, including the Corona Municipal Airport administration, pertaining directly or indirectly to the operations and activities conducted on the Premises. Lessee shall not knowingly commit or allow any violation of law on the Premises.

19.12 Subordinate to Master Lease Agreement. The provisions, conditions and terms of this Lease and of any written sublease of the Premises and/or of an assignment, hypothecation, pledge, mortgage or any transfer of this Lease shall be subject to all terms, conditions and provisions of any executed agreement and/or lease between Lessor and the USACOE concerning the Premises described herein, including but not limited to the following Leases and Agreements, as executed:

Lease DACW09-1-67-60 dated May 26, 1967, and all supplemental agreements thereto.

Lessor shall promptly notify Lessee of receipt by Lessor of any notice or correspondence from the USACOE that affects or may affect the continuation, duration or extension of the Master Lease Agreement.

19.13 Approval by USACOE. This Amended Lease shall not be effective until its terms and conditions have been approved by the District Engineer of the USACOE.

19.14 Severability. If any provision of this Lease shall be declared invalid or unenforceable, the remainder invalid or unenforceable, the remainder of the Lease shall continue in full force and effect.

19.15 Headings. Article and section headings are for convenience only and shall have no effect in the construction of interpretation of any provision herein.

(Signatures follow on next page)

IN WITNESS WHEREOF, the said Lessor and Lessee have executed this

Lease.

ATTEST:

CITY OF CORONA, a municipal
corporation of the State of California

Victoria Wasieleski
City Clerk of the City of Corona,
State of California

By: Jeff Miller

Name: Jeff Miller

Title: Mayor

Date: January 7, 2004

Approved as to Form:

By: _____

Name: _____

Title: _____

Date: _____

By: Ben Best
Best, Best & Krieger, LLP
City Attorney

(Signatures continued on next page)

(Signatures continued from previous page)

CORONA AIR VENTURES, LLC, a
California limited liability company

By: C. B. Nanda

Name: C. B. Nanda

Title: Managing Member

Date: December 17, 2003

By: _____

Name: _____

Title: _____

Date: _____

STATE OF CALIFORNIA

COUNTY OF Orange

)
) ss.
)

On December 17, 2003 before me, ^{Shayla Jackson,} the undersigned Notary Public, personally appeared C.B. Nanda, proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Shayla Jackson
Notary Public

