

**SALINAS MUNICIPAL AIRPORT
LEASE AGREEMENT**

This Lease Agreement ("Lease") is entered into by and between the **City of Salinas**, a municipal corporation of the State of California (hereinafter referred to as "Lessor") and **Jet West LLC**, a Nevada limited liability company hereinafter referred to as "Lessee").

RECITALS

WHEREAS, Lessor owns and operates an airport in the City of Salinas, State of California, commonly known and described as Salinas Municipal Airport (hereinafter "Airport"); and

WHEREAS, Lessee desires to lease office and hangar space and aircraft parking areas at the Airport in and adjacent to 280 Mortensen Avenue and 70 Mortensen Avenue; and

WHEREAS, it is mutually agreed that the letting hereunder is upon and subject to the following terms, covenants, conditions, and provisions, and Lessee covenants, as a material part of the consideration of this Lease, to keep, perform, and comply with each and all of said terms, covenants, conditions, and provisions by Lessee to be kept, performed, and complied with, and this Lease is made upon the condition of such performance and compliance.

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

TERMS

1. Leased Premises. The premises leased to Lessee are herein referred to as the "Leased Premises", are a portion of the Airport, and are more accurately described and shown on the Exhibits attached hereto and incorporated herein by reference. Such Leased Premises include hangar and office space consisting of a 6,400 sq. ft. maintenance hangar, 4,500 sq. ft. of office and classroom space and 1,400 sq. ft. of shop and warehouse space (all as shown on **Exhibit A**), 144 sq. ft. of terminal building office space (as shown on **Exhibit B**), a City-owned underground fueling facility comprised of two 12,000 gallon fuel storage tanks, one for 100ll and one for Jet A (in the location shown on **Exhibit C**), and 50,000 sq. ft. of aircraft parking ramp located adjacent to the hangar, office and other spaces described above (as shown on **Exhibit D**).

2. Use of Leased Premises.

A. Permitted Uses. Lessee hereby leases the Leased Premises for the following purposes:

1. Aircraft maintenance and repair services including sales of parts and accessories;
2. Operation of a fully accredited pilot training school;
3. Operation of an air taxi service;
4. Aircraft rental;
5. Aircraft leasing and/or sales;
6. Sales of pilot supplies and reference materials;
7. Sale of aircraft petroleum products;
8. Temporary or long term storage of aircraft; and
9. Operation of a rental car service or facilitation of such service through a car rental operator.

B. Fuel Facility. Lessee hereby leases a fuel facility on the Airport and owned by the Lessor, as more particularly shown and described on **Exhibit C** (or a replacement site as provided in section 3 B of this Lease), for the purpose of operating a fuel facility (the "Fuel Facility" as follows):

1. Use and maintenance of an underground aviation fuel facility and ancillary improvements.
2. Storage and dispensing of petroleum products to the public and storage of refueling trucks and ancillary equipment. Petroleum products may be brought onto the Airport for the subsequent use and sale (line service) of said products by Lessee, as follows:
 - a. Petroleum products to be received and sold by Lessee to the public shall consist of aircraft fuel, oil, and lubricants;
 - b. Lessee may receive and sell other petroleum products for which there is no provision in this Agreement, if Lessee first obtains written approval from Lessor's Airport Manager. Said approval shall be accompanied by additional fees, charges or payments, which will be determined by Lessor and which shall be paid by Lessee as consideration for the additional privileges;
 - c. Lessee shall have the right to employ and train persons to dispense said petroleum products;
 - d. Lessee is hereby authorized to have not more than four (4) fuel servicing vehicles ("refuelers") on Airport. Additional vehicles must be approved beforehand by Lessor's Airport Manager;
 - e. Lessee agrees that all petroleum product storage, pumping or distribution facilities used by Lessee on Airport shall meet all requirements of, and be in strict compliance with all applicable laws, ordinances, and regulations of any governmental authority;
 - f. Lessee may dispense petroleum products on common areas of Airport and upon such areas for which Lessee has received prior consent from Lessor's Airport Manager.

3. Lessee shall not perform maintenance on any refueler or other vehicle on any aircraft-parking ramp (other than ramp area within the Leased Premises) or on any common area of the Airport.

C. Use Restrictions.

1. Lessee agrees that in the furnishing of any services pursuant to this Lease, Lessee shall comply with the Commercial Operating Standards adopted by the Salinas City Council on June 16, 2009 (attached as **Exhibit E**), as the same may reasonably be amended from time to time, and shall further comply with all applicable state and local laws, rules, and regulations, and applicable Federal Aviation Administration Regulations.
2. Lessee shall not use the Leased Premises or any part thereof, nor permit them to be used for any purpose(s) other than for those described above. Lessee shall not do or permit to be done on the Leased Premises any act or thing which constitutes a nuisance or which may disturb the quiet enjoyment of Lessor, any other tenant of Lessor or private businesses on adjacent land or neighboring property. If Lessor notifies Lessee that such a nuisance or disturbance exists, Lessee shall immediately abate such nuisance or disturbance. If Lessee fails to immediately eliminate or abate such nuisance or disturbance, Lessor may take any steps necessary to abate the nuisance or disturbance, including but not limited to entering the Premises and abating the nuisance or disturbance at Lessee's expense.

3. Term.

A. Term: All Space Other Than Fuel Facility. The term of this Lease for the Leased Premises, with the exception of the Fuel Facility portion, shall be for a period of forty (40) years commencing on October 1, 2009 ("Commencement Date") and ending on September 31, 2049 ("Termination Date"), unless extended or sooner terminated in the manner and under the conditions herein provided (the "Original Term").

With respect to this portion of the Leased Premises, Lessor hereby grants to Lessee an option to extend this Lease for a period of ten (10) years from and after the Termination Date at a rental to be determined as hereafter provided. Lessor reserves the right to review, change, and modify the terms and conditions set forth herein before any extension of this Lease becomes effective. Said option shall be exercised by Lessee by delivering to Lessor notice in writing of Lessee's intent to exercise such option which shall be delivered not less than 180 days before the expiration of the Original Term provided above.

B. Term: Fuel Facility. The term of this Lease for the Fuel Facility portion of the Leased Premises shall be for a period of five years (5) years commencing on October 1, 2009 ("Commencement Date") and ending on September 31, 2014 ("Termination

Date”), unless extended or sooner terminated in the manner and under the conditions herein provided (the “Fuel Facility Original Term”).

With respect to this portion of the Leased Premises, Lessor hereby grants to Lessee two options to extend this Lease for a period of five (5) years each from and after the expiration date of the then preceding term at a rental to be determined as hereafter provided. Lessor reserves the right to review, change, and modify the terms and conditions set forth herein before any extension of this Lease becomes effective. Said options shall be exercised by Lessee by delivering to Lessor notice in writing of Lessee’s intent to exercise such option which shall be delivered not less than 180 days before the expiration of the preceding term.

When the Fuel Facility has been mutually determined to be no longer fit for the use intended or when Lessee elects at the end of the Fuel Facility Original Term or any applicable extension period to have the fuel tanks and associated equipment removed pursuant to section 6 D of this Lease, Lessor agrees to provide comparable and adequate space for the construction of a new fuel facility in the general area of the existing leasehold. Lessee shall be allowed to continue to make use of the existing Fuel Facility until the new facility is operational. Once the new facility is in operation, Lessee shall surrender the old facility to Lessor and the new facility shall thereafter become part of the Leased Premises. Lessor’s obligations under section 6 D of this Lease with respect to the old facility shall not become operative until after the old facility has been surrendered by Lessee.

4. Rent; Fuel Flowage Fees; Utilities.

A. In General. During the Original Term and the Fuel Facility Original Term and any extended terms thereof, rent shall be paid subject to the terms of this section.

B. Security Deposit. There shall be no security deposit required under this Lease; however, at the expiration of this Lease, or any earlier termination thereof, Lessee shall return the Leased Premises to the Lessor in comparable or better condition and repair as it existed as of the Commencement Date, normal wear and tear, damage from casualty, condemnation, and any City maintenance and repair obligations excepted.

C. Base Rent: All Space Other than Fuel Facility. Rent for the Leased Premises other than the Fuel Facility shall be payable at the option of the Lessee in either annual or equal monthly installments initially at the rate of four thousand dollars (\$4,000) per month or forty eight thousand dollars (\$48,000) per annum.

D. Base Rent: Fuel Facility. Rent for the Fuel Facility portion of the Leased Premises shall be payable at the option of the Lessee in either annual or equal monthly installments initially at the rate of one thousand dollars (\$1,000) per month or twelve thousand dollars (\$12,000) per annum. In the event that Lessee elects to pay said rent annually, said payment shall be due and payable on the annual anniversary date of the Commencement Date.

Airport. Lessor's Airport Manager, or other duly authorized agent of Lessor, shall have the right to inspect Lessee's delivery and payment records, but before engaging in any audit or inspection of Lessee's records, the Airport Manager or other agent shall first exhaust all reasonable efforts to obtain the requested information from Lessee's supplier(s), as applicable. Lessee shall bear the cost of any audit or metering which establishes that Lessee has underpaid the gallonage fee by ten percent (10%) or more. False reporting of fuel sales and inaccurate record keeping may be grounds by Lessor to terminate the Lease.

H. Delinquent Rent or Fuel Flowage Payments. If Lessee fails to pay the rent or after notice of non-payment by Lessee's supplier(s) the fuel flowage fees when due, Lessee will pay, in addition to the unpaid rents or unpaid fuel flowage fees, ten percent (10%) of the delinquent rent per month or ten percent (10%) of the delinquent fuel flowage fee measured from the date when due and payable under the terms of this Lease until the same shall be paid. In the event that Lessee elects to rent in annual installments, rent shall be considered delinquent if not paid within fifteen (15) days following the annual anniversary date of the Commencement Date of this Lease. In the event that Lessee elects to pay rent in monthly installments, rent shall be considered delinquent if not paid by the tenth day of each month. With respect to fuel flowage fees, such fees shall be considered delinquent if not paid by the twenty fifth day of each month.

I. Hold-Over Rent. In the event the Lessee fails to surrender the Leased Premises upon the Termination Date, such continued occupancy shall be on a month-to-month holdover basis as described in section 35 of this Lease. The foregoing shall not in any way limit any summary process rights available to the City pursuant to law.

J. Utilities. In addition to the monthly rent payment, Lessee shall pay for all water, gas, power, telephone, sewage, garbage, landscaping, janitorial and rubbish disposal, and all other services and utilities supplied to the Leased Premises (other than that portion located within the Terminal Building). The costs of bringing utilities of gas, electricity, sewage, drainage, telephone and water to the Leased Premises as may be necessary, shall be borne by Lessee. Lessee shall pay a proportionate share of costs for utilities/services on a monthly basis for the Airport Terminal Building, the costs of which cannot be easily distinguished between Lessor and Lessee, as follows:

1. Janitorial Service. Lessee shall pay a monthly fee of \$66.85 for its share of the total cost of the janitorial cleaning of the lobby and restrooms of the Airport Terminal Building; and

2. Refuse. Lessee shall pay a monthly fee of \$8.88 for refuse removal.

Lessor and Lessee shall renegotiate the proration of these and other utility costs, including sewer and water costs, if the use of the Terminal Building by patrons, employees, subtenants of Lessee becomes greater than anticipated.

E. Due Date. In the event that Lessee elects to pay rent on a monthly basis, said rent shall be due and payable on the first day of each calendar month. Checks should be made payable to the City of Salinas and be delivered to the City of Salinas at 200 Lincoln Avenue, Salinas, California 93901, Office of the Finance Director, ATTN: Airport Fund.

F. Adjustment of Rent. After the two and one half (2 ½) year anniversary of the Commencement Date (the "Adjustment Date"), and upon every two and one half (2 ½) year anniversary thereafter of the Commencement Date, all rent due under this Lease, whether for the Fuel Facility or for all other space and whether the same shall be paid annually or in equal monthly installments, shall be increased at a rate equal to the percent change in the Consumer Price Index for "All Urban Consumers" for San Francisco/Oakland/San Jose, California during such two and one half (2 ½) year period (the "Adjusted Rent").

Regardless of the index publication dates, the rental adjustments herein shall only occur on the applicable Adjustment Date. Until the rent adjustment can be actually calculated in accordance with this Lease, Lessee shall continue to make payments at the existing rental rate. When the adjustment is calculated, the balance of rents due at the adjusted rate, from the applicable Adjustment Date through the date of calculation, shall be paid to Lessor within thirty (30) days of written notice by the Lessor. In no event shall the Adjusted Rent due under this Lease as established by the Consumer Price Index, be less than the rent in existence immediately prior to the Adjustment Date.

Delay by the parties in computing or collecting the adjusted rent or the acceptance by the Lessor of the incorrect amount of adjusted minimum rent shall not relieve Lessee of its obligations to pay such adjusted rent to the Lessor. Lessee waives any applicable statute of limitations and defenses such as waiver or estoppels which could defeat the City's right to collect the adjusted rent.

G. Fuel and Oil Flowage Fees. Lessee shall pay, or shall arrange with Lessee's fuel and oil supplier(s) for such supplier(s) to pay, to Lessor a gallonage fee of eight cents (\$0.08) per gallon of fuel and eight cents (\$0.08) per gallon of oil brought or delivered onto the Airport by, for, or on behalf of Lessee. The gallonage fee may be adjusted by Lessor's City Council, from time to time, as is commercially reasonable. The gallonage fee shall be payable to Lessor on a monthly basis on the fifteenth day of each calendar month (calculated on the basis of fuel and oil delivered during the preceding calendar month). If Lessee's supplier(s) fail(s) to make payment on the fifteenth day of each calendar month, then upon written notice of such non-payment by Lessor to Lessee, Lessee shall within ten (10) days of the date of such notice pay the flowage fees owed.

Lessor may require that Lessee or Lessee's supplier(s), when making payment of amounts due Lessor hereunder, accompany the payment with complete and accurate delivery invoices showing the date and number of gallons delivered onto the Airport. Regardless of whether payment is made by Lessee's supplier(s), Lessee shall also keep true and accurate records and accounts of all of its deliveries of fuel and oil onto said

5. Leasehold Improvements.

A. No improvement, including landscaping, shall be erected or placed on the Leased Premises and no alterations shall be made in the improvements and facilities constructed on the Leased Premises without the prior written approval of Lessor, said approval not to be unreasonably withheld. One (1) complete copy of plans for all buildings and improvements and for subsequent changes therein or alterations thereof shall, within fifteen (15) days after approval thereof by Lessor, be signed by Lessee and deposited with Lessor.

B. Lessee shall construct and/or install all site improvements required by Lessor consistent with City development standards, including, but not limited to, drainage, utilities, parking, paving, landscaping, lighting, and fencing.

C. Lessee shall be allowed use of the existing public parking lot adjacent to the Leased Premises for the parking of automobiles in common with the public.

D. Lessee shall cause to be made, executed and delivered to Lessor, prior to the date of commencement of any work in or on the Leased Premises, corporate surety bonds approved as to form and as to surety by Lessor, with Lessee's contractor or contractors as principal, and Lessor as an additional obligee, each in the sum of one hundred percent (100%) of the amount of the contract for (a) the said required work in accordance with the approved plans and specifications, and (b) to provide that if Lessee or its contractor or contractors fail to pay for any materials, provisions or other supplies, used in or upon, for or about the performance of the work contracted to be done, or for any work or labor thereon of any kind, that the surety will pay the same, in an amount not exceeding the sum specified in the bond, and also, in case suit is brought upon the bond, a reasonable attorney's fee as set by the court.

E. Before commencing any work of improvement, Lessee shall ensure that all of its employees and/or all employees of any contractors retained by Lessee, are covered by Workers Compensation Insurance covering full liability for compensation under the Workers Compensation Insurance and Safety Act, for any person injured while performing any work or labor incidental to the work in or on the Leased Premises. Such coverage shall be obtained by a carrier authorized to act under the laws of the State of California, reasonably acceptable to Lessor.

F. Lessee shall design any new improvements so as to meet all applicable guidelines and regulations of the Federal Aviation Administration (FAA), the California Department of Transportation (Division of Aeronautics), and the City of Salinas. Lessor makes no warranties as to the suitability of the location identified for the purpose intended, particularly with respect to height and setback requirements, and all other State and Federal regulations.

6. Repair and Maintenance of Leased Premises and Equipment.

A. Lessor shall, at its own cost and expense, repair and maintain the roof and exterior walls of the offices and other buildings within the Leased Premises in good working order and repair. Lessee agrees to maintain the Leased Premises and all improvements conducted therein, in good order and repair and to keep said premises in a neat, clean, and orderly condition. This includes, but is not limited to, the prevention of accumulation of any refuse or waste materials that might constitute a fire hazard or a public or private nuisance. Lessee shall, at all times during the full term of this Lease and any renewals and at its sole cost and expense, keep and maintain all interior and exterior of all buildings, structures, and other improvements it contracts on said premises in good order and repair, including all necessary janitorial services and the whole of said premises from weeds and rubbish in a clean, sanitary, and neat condition.

B. Lessor or its authorized representative shall have the right during normal business hours, to inspect the Leased Premises, except for any parts thereof deemed by Lessee to contain valuable property and confidential matters unless accompanied by Lessee or an agent or representative thereof, to determine if the provisions of this Lease are being complied with. If in the opinion of Lessor's Airport Manager the Leased Premises are not being properly maintained, the Salinas Airport Manager may, after giving written notice to Lessee and after a reasonable time for the Lessee to cure such default, cause such repair and maintenance to be made. The cost of such repair or maintenance shall become a debt of the Lessee and shall be added to the rent due and payable under this Lease. If said Lessee does not pay such costs promptly, this Lease shall be deemed to be in default and Lessor shall be entitled to all legal remedies provided hereunder.

C. Lessee agrees to indemnify and save harmless Lessor against all actions, claims, and damages by reason of Lessee's failure to keep and maintain the Leased Premises, and any buildings, improvements, facilities or equipment located thereon, or by reason of its nonobservance or non-performance of any law, ordinance, regulation or order of competent governmental authority applicable thereto.

D. Throughout the term of this Lease, Lessee shall be solely responsible for the maintenance and repair of the Fuel Facility. When the Fuel Facility has been mutually determined to be no longer fit for the use intended or when Lessee so elects at the end of the Fuel Facility Original Term or any applicable extension period, Lessor agrees at its sole cost and expense to remove the fuel tanks and associated equipment from the Leased Premises. If, during the course of the fuel tank removal, contamination of underlying soil is found and is determined to have been caused by the fuel tanks, Lessor agrees at its sole cost and expense to pay for clean up and remediation of any contaminated soil.

7. Restoration of Leased Premises in Terminal Building. If during the term hereof any office space within the Terminal Building or any part thereof shall be damaged or destroyed by fire or other casualty, Lessor may in its sole discretion and at its sole cost and expense, either (a) repair or restore said improvements, in accordance with the City's Zoning Code and building requirements in effect at that time, or (b) tear down and

remove the same from the Leased Premises and Lessee's rent shall thereafter be proportionately abated.

Nothing in this section or elsewhere in this Lease shall prevent Lessee from otherwise carrying, at its own expense, any insurance as it deems necessary to protect its interests herein.

8. Signs. Lessee shall have the right to post such signs as are necessary and usual in the conduct of its business in and upon the Leased Premises. Location, size, shape, and copy of all signs exposed shall be in accordance with the Salinas City Code and approved by Lessor's Airport Manager and the Community Development Department and Engineering and Transportation Services Department prior to installation.

9. Title to Improvements.

A. Upon the expiration of the Original Term, or upon any sooner termination (pursuant to an actual default by Lessee of the terms and conditions of this Lease, thereby giving rise to the termination of the Lease, by means of negotiation or adjudication) of this Lease, all leasehold improvements shall, without compensation to Lessee, then automatically and without any act of Lessee or any third party become Lessor's property. Lessee shall surrender the improvements to Lessor in reasonably good condition and repair, ordinary wear and tear and casualty excepted, free and clear of all liens and encumbrances, other than those, if any, permitted under this Lease or otherwise created or constructed by Lessor. Lessee shall execute, acknowledge, and deliver to Lessor any instrument requested by Lessor as necessary in Lessor's opinion to perfect Lessor's right, title, and interest in the improvements. Lessee shall redeliver possession of said Leased Premises to Lessor in substantially the same condition that existed immediately prior to Lessee's entry thereon, reasonable wear and tear, damage by the elements, earthquakes, acts of God, and any act of war excepted.

B. All improvements and fixtures made or attached to the Leased Premises shall be and become upon the termination of this Lease, or at the sooner termination of Lessee's tenancy, the property of Lessor and shall not be removed by Lessee unless Lessee is directed to do so by Lessor; provided, however, if Lessee is not in default in the payment of rent or in the performance of its obligations under this Lease, it may remove from said premises, at its sole expense, such personal property, including machinery and "trade fixtures," which are not an integral part of the premises, and which can be removed without damage to the premises, and provided the same may be removed prior to the expiration of this Lease or any extension thereof. In no event will furniture, fixtures, and equipment, or other personal property, be removed until all rental due Lessor has been paid in full. All machines, equipment, material, appliances, and fixtures now or hereafter installed or placed by Lessee on or in the Leased Premises or the improvements for the generation and distribution of air, water, heat, electricity, light, fuel or refrigeration, or for ventilating or air-conditioning purposes, or for sanitary or drainage purposes, or for the exclusion of vermin, or insects, or for the removal of dust, refuse, or garbage, and including all awnings, window shades, drapery rods and brackets, screens,

floor coverings, incinerators, carpeting and all other fixtures used in the operation of the Improvements, together with all additions to, substitutions for, changes in or replacements of, the whole or any or all of said articles of property, shall be deemed integral parts of the Leased Premises and the Improvements for purposes of this Lease.

C. If during the term hereof the improvements or any part thereof (other than any office space within the Terminal Building) shall be damaged or destroyed by fire or other casualty, Lessee may, at its cost and expense, either (a) repair or restore said improvements, in accordance with the City's Zoning and Building requirements in effect at that time, or (b) tear down and remove the same from said premises. If Lessee shall elect to repair or restore said improvements, the work thereon shall commence within one hundred eighty (180) days after the damage occurs and shall be completed with due diligence.

D. If Lessee shall elect not to repair or restore said improvements, Lessee shall, at its sole expense, within one hundred eighty (180) days after said damage occurs, tear down and remove all parts thereof remaining and the debris resulting from said fire or other casualty and otherwise cleanup said premises, including but not limited to filling all excavations and removing all foundations, debris, and other parts of said buildings remaining after same are removed, and peacefully surrender possession of said premises to Lessor in a clean and orderly condition. Failure by Lessee to do so shall constitute a breach of the covenants and conditions of this Lease. After completion of the above work to the satisfaction of Lessor, Lessee may give written notice to terminate this Lease and shall then immediately comply with the requirements of this Lease.

E. Upon surrender of the improvements by Lessee to Lessor, Lessee shall have no responsibility pursuant to the terms of this section for the restoration of the improvements.

10. Eminent Domain.

A. If at any time during the term hereof the Leased Premises or any part thereof are taken by public authority by the laws of eminent domain, then and in every case the leasehold estate and interest of Lessee in said premises, or any part thereof taken, shall forthwith cease and terminate, and all compensation awarded by reason of the taking of the leased land and improvements, except those installed by Lessee, thereon shall be payable to and be the sole property of Lessor. Notwithstanding the foregoing, Lessee shall have the right to make a claim for compensation for the other leasehold improvements, the value of Lessee's leasehold interest, relocation expenses, and business loss caused by such taking and as allowed by law.

B. If only a portion of the Leased Premises is so taken by the powers of eminent domain, Lessee may elect to terminate this Lease giving one hundred twenty (120) days prior written notice of Lessee's intention to terminate.

C. If such public taking shall prevent Lessee's use and occupancy of the Leased Premises and Improvements, then Lessee shall have the option to terminate this Lease, which option to terminate shall be conditioned upon Lessee's removing or restoring said Leased Premises, at the sole option of Lessor, and paying to Lessor any rent accruing hereunder to the date of termination, and all unpaid taxes and assessments then accruing upon said premises.

D. Any compensation which would otherwise be payable under this paragraph to Lessee shall be paid directly to any encumbrancer of the leasehold interest, to the extent of such encumbrance.

11. Termination by Lessor. Notwithstanding Lessor's right to termination this Lease as elsewhere provided herein, Lessor may terminate this Lease as follows:

A. In the event Lessor should require the Leased Premises in connection with the future expansion and/or operation of the Airport, Lessor may, upon six (6) months written notice, terminate this Lease, provided however, Lessor agrees to make all reasonable efforts to find a new location within the Airport acceptable to Lessee for the Leased Premises and the improvements.

B. Should Lessor alter its proposed plan of development of the Airport in a manner that would preclude Lessee from operating under the terms of this Lease and relocation of the Leased Premises is not feasible; or should any other government agency assume control of the Airport or any portion thereof in a manner that would preclude Lessee from operating under the terms of this Lease; or should it occur that during the term of this Lease any governmental action, law or ordinance should come into effect, the terms of which so restrict the use to which the Leased Premises can be put that Lessee is unable to use the Leased Premises in the manner contemplated herein (and no other suitable location is available for relocation), Lessor will, upon written request from Lessee, terminate this Lease or extend the term of this Lease for the period of time Lessee's operation is so precluded; and no rent shall accrue during said period.

C. If this Lease is cancelled under the provisions of this Section, commencing within thirty (30) days of Lessor's notice to terminate pursuant to this section, Lessor and Lessee shall attempt to agree upon the fair market value of Lessee's interest in the business located on the Leased Premises including, but not limited to, the fixtures and improvements installed or constructed by Lessee and located on the Leased Premises (the "Fair Market Value").

If Lessor and Lessee are unable to agree upon the Fair Market Value within sixty (60) days thereafter, then each party shall designate, by written notice, to the other party within ten (10) days after expiration of said sixty (60) day period, a real estate appraiser who shall be a member of any nationally recognized professional real estate association that examines its designated members and who has at least five (5) year's full-time commercial appraisal experience in the area in which the Leased Premises are located, to

appraise and to determine the Fair Market Value. If either party fails to designate an appraiser, the appraiser selected by the other party shall determine the Fair Market Value.

If two appraisers are designated, the two shall promptly meet in an attempt to set the Fair Market Value. If the two are unable to agree within twenty (20) days after their designation, within ten (10) days after the expiration of the twenty (20) day period provided to them, they shall appoint a third appraiser who meets the qualifications stated above. Each party shall pay the fee of the appraiser it designates and one-half the cost of the third appraiser.

Within twenty (20) days after the selection of the third appraiser, a majority of the appraisers shall set the Fair Market Value. If a majority of the appraisers are unable to agree, then the average of the three appraisals shall be the Fair Market Value; provided, however, if the low appraisal is more than five percent (5%) lower than the middle appraisal, then the low appraisal shall be disregarded in averaging the appraisals. After the Fair Market Value has been set, the appraisers shall immediately notify the parties in writing.

In determining the Fair Market Value, the scope and extent of the appraisal shall be determined at the time Lessor provides written notice pursuant to this section or at the time the appraisers are attempting to establish the Fair Market Value, whichever is applicable. At a minimum, the appraisals shall evaluate the monthly amount which the Leased Premises could be expected to return to Lessor if offered for lease on the open market under normal circumstances, given due consideration to other properties located in the immediate geographic vicinity of the Leased Premises and similar relevant matters. Improvements and fixtures placed upon the Leased Premises by Lessee since the Commencement Date of this Lease shall be considered in arriving at the Fair Market Value.

12. Termination by Lessee. In the event Lessor ceases or substantially restricts the use of the Airport as an Airport for reasons beyond the control of Lessor, including without limitation, war, civil unrest, acts of terrorism, and acts of God, and Lessee can no longer fully used the Leased Premises for the purposes contemplated in this Lease, Lessee's rent and all other charges payable under this Lease shall immediately be proportionally abated and Lessee may upon three (3) months written notice terminate this Lease. Lessor shall have no liability for any damages to Lessee in the event of such change in Lessor's use of the Airport. If the Airport does not meet its obligations as a public airport pursuant to the sponsor's assurances given by Lessor to the United States Government under the Airport and Airway Improvement Act of 1982, as the same may be amended from time to time, Lessee may upon three (3) months written notice terminate this Lease, without prejudice to Lessee's ability to pursue recovery of damages from Lessor or any other legal or equitable remedies.

13. Reservations.

A. The Leased Premises are accepted AS-IS by Lessee subject to any and all existing easements and encumbrances. Lessor reserves the right to install, lay, construct, maintain, repair, and operate such sanitary sewers, drains, storm water sewers, pipelines, manholes, and connections; water, oil and gas pipelines; telephone, telegraph and electric power lines; and the appliances and appurtenances necessary or convenient in connection therewith, in, over, upon, through, across and along any and all portions of the Leased Premises. No right reserved by Lessor in this clause shall be so exercised as to interfere unreasonably with Lessee's operations hereunder or to impair the security or any secured creditor of Lessee.

B. Lessor agrees that rights granted to third parties by reason of this clause shall contain provisions that the surface of the Leased Premises shall be restored as nearly as practicable to its original condition upon the completion of any construction. Lessor further agrees that should the exercise of these rights temporarily interfere with the use of any and all of the Leased Premises by Lessee, the rental shall be reduced in proportion to the interference with Lessee's use of the Leased Premises.

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

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

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

F. Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to erect, any building or other structures on the Airport which, in the opinion of Lessor, would limit the usefulness of the Airport or constitute a hazard to aircraft.

G. Lessor reserves and excepts from this Lease all that portion of the real property herein leased which is super adjacent to a plane sixty (60) feet above and parallel to the existing ground surface of said real property (which portion is hereby referred to as "Super adjacent Air Space").

H. Lessor further reserves and excepts from this Lease, and Lessee hereby grants to Lessor (insofar as the hereinafter described easements and rights in any manner or to any extent that affect the Leased Premises, any improvements which may be made thereon, and Lessee's leasehold or other interest therein and Lessee's use, occupancy or enjoyment thereof):

1. An avigation easement over and laterally adjacent to the Leased Premises and any improvements which may be made thereon, including but not limited to the easement and right to fly, or cause or permit flight by any person of, any aircraft of and all kinds now or hereafter know, in, through, across or about any portion of said super adjacent air space and any air space laterally adjacent thereto; and

2. The easement and right to cause or create, or permit to be caused or created, such noise, vibration, currents and other effects of air, illumination and fuel consumption which may arise or occur:

(a) from or during the use of said avigation easement and such flight as is described in subsection H.1. hereinabove, or

(b) from or during the use by such aircraft of any Salinas Municipal Airport facilities, including but not limited to the landing, storage, repair, maintenance, operation, warm-up and take-off of such aircraft, upon, within or about said Airport, and the approach and departure of aircraft to or from such Airport.

The easements and rights herein reserved and excepted by Lessor, and the easements and rights herein granted by Lessee to Lessor, shall be deemed both in gross and also appurtenant to each and every portion of the real property of the Salinas Municipal Airport (save and except the Leased Premises herein described).

14. Lease Subordinate to Agreements with the U.S.A. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States of America relative to the development, operation or maintenance of the Airport.

15. War or National Emergency. This Lease and all the provisions hereof shall be subject to whatever right the United States Government has affecting the control, operation, regulation and taking over of said Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

16. Use to Conform to Federal Aviation Administration Regulations. Lessee agrees that Lessee's use of the Leased Premises, including any future construction, modification or alteration thereon, shall comply with applicable Federal Aviation Regulations now in force or those that may hereafter be adopted by Federal authority.

17. Use to Conform to City of Salinas Regulations. Lessee agrees to comply at all times with all applicable provisions of the Salinas City Code including, but not limited to, Chapter 4, Airport, and Chapter 37, Zoning, of said Code. Lessee further agrees to comply with all the rules and regulations established by the Salinas City Council, the Salinas Airport Commission and the Salinas Airport Manager for the use of the Leased Premises and all other portions of the Salinas Municipal Airport.

18 Non-Discrimination. Lessee, for itself, its personal representatives, successors in interest, and assigns, as part of the consideration hereof, does hereby covenant and agree to furnish all services on a fair, equal and non-discriminatory basis to all users; and charge fair, reasonable, and not unjustly discriminatory prices for each unit or service, provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

19. Equal Opportunity Plan. Lessee assures that it will undertake an equal opportunity program as may be 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. Lessee assures that no person shall be excluded on those grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures that it will require that its covered sub organizations provide assurance to Lessee that they similarly will undertake equal opportunity programs and that they will require assurances from their sub organizations, as may be required by 14 CFR Part 152, Subpart E, to the same effort.

20. Non-Exclusive Right. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right for the use of any landing areas or air navigation facility at the Airport.

21. Lessee Agreements.

A. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations and Ordinance No. 1719 of the City of Salinas, dated November 21, 1977, in the event future construction of a building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure on the Leased Premises.

B. Lessee expressly agrees for itself, its successors and assigns that it will not erect or permit the erection of any structure or object, nor permit the growth of any tree on the Leased Premises to penetrate the transitional surfaces, as defined in Federal Aviation Regulations and Ordinance No. 1719 of the City of Salinas. In the event the aforesaid covenants are breached, Lessor reserves the right to enter upon the Leased Premises and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Lessee.

C. By accepting this Lease Lessee agrees for itself, its successors and assigns that it will not make use of the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from Salinas Municipal Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Leased Premises and cause the abatement of such interference at the expense of Lessee.

22. Use of Public Airport Facilities. Lessee is granted the non-exclusive use of all public Airport facilities, including but not limited to taxiways, runways, aprons, navigational aids, and facilities relating thereto, for purposes of landings, take-offs, and taxiing of Lessee's aircraft. All such use shall be in accordance with the laws of the United States of America, the State of California, and the rules and regulations promulgated by their authority with reference to aviation and air navigation, and in accordance with all reasonable and applicable rules, regulations and ordinances of Lessor now in force or hereafter prescribed or promulgated by ordinance or by law.

23. Taxes and Assessments. Lessee shall pay all taxes (including possessory interest tax) and assessments that may be levied upon the Leased Premises, any and all buildings and improvements and other property situated therein, and any interest of Lessee therein, for the full term of this Lease.

24. Insurance.

A. Lessee shall, throughout the duration of this Lease, maintain comprehensive general liability and property damage insurance, or commercial general liability insurance, covering all operations of Lessee, its agents and employees, performed in connection with this Lease including but not limited to premises and automobile.

B. Lessee shall maintain the following limits:

General Liability

Combined Single Limit Per Occurrence.....\$1 million

General Aggregate.....\$2 million

(The policy shall cover on an occurrence or an accident basis, and not on a claims made basis.)

Automobile Liability

Combined Single Limit Per Occurrence.....\$1 million

(The policy shall cover on an occurrence or an accident basis, and not on a claims made basis.)

Worker's Compensation.....Statutory Limits

Employer's Liability Insurance:.....\$1 million
per employee and per accident for bodily injury or disease.

All Risk Property Insurance (Covering all real and personal property of the City and occupied or used by the Lessee, and all real and personal property of the Lessee utilized or stored at the Leased Premises, all at full value. Property insurance against all risk of loss to any tenant improvements or betterments, including flood, as determined by the City's Risk and Benefits Analyst.)

Facility Replacement Coverage (Covering the Leased Premises and equipment and structures located therein and all furnishings or equipment owned by the City and also located thereon, in no event less than the full replacement value, against the perils of fire and extended coverage, including demolition.)

Fire Insurance

Fire Legal Liability.....\$100,000

Fire insurance with extended coverage and debris cleanup provisions, in an amount equal to ninety percent (90%) of actual cash value of all improvements installed by Lessee in or on the Leased Premises.

Additional Insurance Coverages.....As Required by the Lessor

C. All insurance companies affording coverage to the Lessee shall be required to add the City of Salinas as an "additional insured" under the insurance policy and provide a copy of the insured additional endorsement.

D. All insurance companies affording coverage to the Lessee shall be insurance organizations authorized by the Insurance Commissioner of the State Department of Insurance to transact the business of insurance in the State of California and having an AM Best Rating of no less than A B.

E. All insurance companies affording coverage shall provide thirty (30) days written notice to the City of Salinas should the policy be cancelled or reduced in coverage before the expiration date. For the purposes of this notice requirement, any material change prior to expiration shall be considered cancellation.

F. Lessee shall provide evidence of compliance with the insurance requirements listed above by providing a certificate of insurance or a binder, in a form meeting the reasonable satisfaction of Lessor's Risk and Benefits Analyst, concurrently with the submittal of this Lease. A statement on the insurance certificate which states that the insurance company "will endeavor" to notify the certificate holder, "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives" does not satisfy the requirements of subsection (e) herein. Lessee shall ensure that the above quoted language is stricken from the certificate by the authorized representative of the insurance company.

G. Lessee shall provide a substitute certificate of insurance no later than ten (10) days prior to the policy expiration date. Failure by Lessee to provide such a substitution and extend the policy expiration date shall be considered a material default by Lessee. In the event Lessee is unable to provide a substitute certificate of insurance within the time prescribed in this subsection, Lessee shall provide written confirmation of renewal, in a form satisfactory to the City's Risk and Benefits Analyst, to act as proof of insurance only until such time as a certificate of such insurance has been received by Lessor.

H. Maintenance of insurance by Lessee as specified in the Lease shall in no way be interpreted as relieving Lessee of any responsibility whatsoever and Lessee may carry, at its own expense, such additional insurance as it deems necessary.

I. In addition to requiring statutory Workers' Compensation insurance pursuant to Section 5.I herein, Lessee shall also require all contractors and subcontractors who perform work on the Leased Premises to maintain general liability insurance in an amount of no less than \$1 million combined single limit per occurrence which complies with all of the provisions of subsections (C) through (G) above. Lessee shall provide City with copies of such insurance certificates upon request.

J. Any specialized use exposing the Lessor to an abnormally high risk (determined by Lessor and/or the Risk and Benefits Analyst) will require coverage equal to the amount of the additional exposure.

K. Any use of City-owned property is prohibited until such time as the prospective Lessee has submitted an approved certificate of insurance. If the Lessee fails at any time to maintain the required insurance, action shall be taken to terminate said tenancy.

L. Lessees who sublease, thereby incurring additional risk, shall be required to provide insurance covering the sublease or subtenancy or shall be required to provide proof that said sublessee or subtenant has and maintains sufficient insurance covering the sublease or subtenancy.

M. Periodic Review of Insurance Coverage. All insurance coverage and limits required under this section shall be subject to periodic review on every fifth anniversary of the Commencement Date at which time the City may require additional or different coverage types and limits as set forth herein in order to meet changed circumstances or conditions that exist at the time of such periodic review.

N. Waiver of Subrogation. Lessee, to the extent and limits of insurance coverage applicable under any policy of insurance procured as required under this Lease, releases the Lessor, its officers, employees, and agents from any claims for damage to any person or to the Leased Premises, or any part thereof including the buildings, fixtures, personal property, and other improvements or alterations located thereon, of either the Lessor or the Association, including loss of income, that are caused by or result from risks insured against under any insurance policies required by this Lease Agreement and in force at the time of any such damage.

Lessee shall cause each such insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against the Lessor in connection with any damage covered by such policy. Lessor shall not be liable to Lessee or to any other party for any damage caused by fire or any other risk insured against under any property insurance policy carried under the terms of this Lease, to the

extent and limits of coverage applicable under any policy of insurance procured as required under this Lease.

25. Common Airport Areas. Lessee shall have the privilege of using, in common with others to whom such privileges may also be given by Lessor, such airplane runways as are provided in the Salinas Municipal Airport for the take-off and landing of airplanes. Lessee shall also be entitled, in common with others to whom such privileges may also be given by Lessor, to such of the following services as may be provided by said Airport, to facilitate the take-off and landing of aircraft at and the flying of aircraft within and about said Airport, to wit: landing light, floodlights, signals and other such facilities. Such privileges however, shall be subject to all rules and regulations now in effect or hereafter established by the City of Salinas governing or controlling such privileges, uses or operations, and shall be subject to the payment of all such fees or charges as the City of Salinas may now or hereafter impose for such privileges, uses and operations.

26. Liens and Claims.

A. Lessee shall not suffer or permit to be enforced against Lessor's title to the Leased Premises, or any thereof, any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal as herein provided, or otherwise arising (except liens, claims or demands permitted by, suffered by or arising from the actions of Lessor).

B. Lessee shall pay all such liens, claims and demands before any action is brought to enforce the same against the Leased Premises; and Lessee agrees to hold Lessor and said land free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses in connection therewith, except for liens permitted by Lessor.

C. Should Lessee fail or refuse to pay any lien, claim or demand arising out of the construction, repair, restoration, maintenance and use of the Leased Premises and the buildings and improvements hereon, or any other claim charge or demand which Lessee has agreed to pay under the covenants of this Lease, Lessee or its authorized encumbrances, if any, shall, within thirty (30) days provide written notice from Lessor to Lessee or its said encumbrancer, pay and discharge the same or shall furnish to City, in a form satisfactory to City, sufficient security to hold Lessor and said land free from all liability for such lien, claim or demand and all costs and expenses in connection therewith. Should Lessee or its said encumbrancer, within said thirty (30) days period, not pay discharge said lien, claim or demand or not provide said security to Lessor, then Lessor may at its own option, either treat such failure or refusal as a breach of or default under this lease, or may pay any such lien, claim or demand, or settle or discharge any action therefore or judgment thereon, and all costs, expenses and other sums incurred or paid by Lessor in connection therewith shall be repaid to Lessor by Lessee upon written demand, together with interest thereon at the rate of ten percent (10%) per annum from the date of payment until repaid, and any default in such repayment shall constitute a breach of the covenants and conditions of this Lease.

27. Right to Assign or Transfer.

A. Lessee agrees to not encumber, assign or otherwise transfer this Lease, or any right or interest herein, without the prior written consent of Lessor, and no such encumbrance, assignment or transfer, whether voluntary or involuntary, by operation of law, under legal process or proceedings, or otherwise, shall be valid or effective without such prior written consent. The Lessor shall not unreasonably withhold its consent to the encumbrance, assignment or transfer of the Lease, or the Lessee's right or interest to any of the improvements. Upon the granting of consent of the transfer by Lessor, Lessor and Lessee shall enter into an "Assignment of Lease by Lessee" in a form to be mutually agreed upon by the parties.

B. If Lessee hereunder is a corporation or an unincorporated association or a partnership, the transfer, assignment or hypothecation of any stock or interest in said corporation, association or partnership, in the aggregate in excess of twenty-five percent (25%) shall be deemed an assignment within the meaning of this lease. The following transfers are excepted from the provisions of this paragraph:

1. Transfer or assignment of stock or interest to a shareholder or member of the same corporation, association, or partnership.

2. Transfer or assignment of stock or interest to a spouse, child, or grandchild of a shareholder or member.

3. Transfer or assignment of stock to a lender pursuant to a lender who has obtained a permitted encumbrance of Lessee's interest in this Lease.

C. Should Lessee attempt to make or suffer to be made any such encumbrance, assignment, or transfer, except as aforesaid, or should any right or interest of Lessee hereunder or in or to the improvements be transferred or sold by or under court order or legal process, or otherwise, then any of the foregoing events shall be deemed a breach of this Lease and thereupon Lessor may, at its option, terminate this Lease forthwith by written notice thereof to Lessee, or exercise other rights provided by law or in this Lease to be exercisable by Lessor in the event of any default or breach under this Lease. Should Lessor consent to any such encumbrance, assignment, or transfer, such consent shall not constitute a waiver of any of the restrictions of this clause and the same shall apply to each and every encumbrance, assignment, or transfer hereunder and shall be severally binding upon each and every encumbrancer, assignee, transferee, and other successor in interest of Lessee.

D. Lessor agrees that it will not unreasonably withhold its consent to any assignment, or transfer requiring its prior approval hereunder, but Lessor may withhold such consent:

1. If the proposed assignee shall not covenant in writing to keep, perform and be bound by each and all the covenants and conditions of this Lease herein provided to be kept and performed by Lessee and to assume any previously accrued obligations hereunder.

2. If this Lease is in default at such time in any respect.

3. If the construction, or demolition of the improvements on the Leased Premises is in progress, or if said construction or demolition is incomplete.

4. Until a determination has been made by Lessor that the assignee, transferee, or other successor in interest of Lessee can pay rent and operate in accordance with the standards required by Lessor.

E. Any document that purports to assign, transfer, or encumber the Leased Premises or any part thereof, shall incorporate directly or by reference all provisions of this Lease unless otherwise amended in writing.

F. Lessee shall be permitted to sublet the portion of the Leased Premises only to third parties deemed acceptable by Lessor in writing. Failure to inform Lessor's Airport Manager of such subletting shall constitute a material breach of this Lease.

28. Default.

A. In the event Lessee shall default in the performance of any condition or covenant in this Lease (except the payment of rent), Lessor may, at its option, take such action as provided in paragraph C hereof, but only if Lessee fails to rectify said default within thirty (30) days after written notice thereof is served upon Lessee by Lessor. In the event, however, that the default is of such nature that the same cannot be rectified in such thirty (30) day period, then such default shall be deemed to be rectified if Lessee shall have commenced the compliance of the provisions hereof breached by it within said thirty (30) day period and shall with all diligence prosecute work or perform the particular provisions until the same shall have been fully rectified or performed.

B. In the event Lessee should fail to pay any installment of rent or pay any other sum due provided in this Lease to be paid by Lessee at the time or times herein specified, Lessor may, at its option, take such action as provided in paragraph C hereof, but only if said default is not rectified within ten (10) days after written notice thereof is served on Lessee by Lessor.

C. In the event Lessee shall fail to pay rent or any other sum provided in this Lease, or in the event of any other breach of this Lease by Lessee, then Lessor, in addition to and without prejudice to any other right or remedy of Lessor hereunder, shall have immediate right of re-entry and may remove all persons and personal property from the Leased Premises, and such personal property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Lessee. Should Lessor elect

to re-enter, as herein provided, or should Lessor take possession pursuant to legal proceedings or pursuant to any notice provided by law, Lessor may either terminate this Lease or may from time to time, without terminating this Lease, relet premises or any part thereof for such term or terms (extending, at Lessor's option, beyond the term of this lease) and at such rental or rentals and upon such other terms and conditions as Lessor in its sole discretion may deem advisable with the right to make alterations and repairs to the Leased Premises. Upon such reletting:

1. Lessee shall be immediately liable to pay to Lessor, in addition to any indebtedness other than rent hereunder, the cost and expenses of such reletting and of any such alterations and repair, incurred by Lessor, and the amount, if any, by which the rent reserved in this Lease for the period of such reletting (up to but not beyond the term of this Lease) exceed the amount agreed to be paid as rent for the Leased Premises for such period of such reletting; or

2. At the option of Lessor, rents received by Lessor from such reletting shall be applied: first, to the payment of any indebtedness hereunder of Lessee to Lessor, other than rent due; second, to the payment of any costs and expenses of such reletting and of any such alterations and repairs; third, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be paid by Lessor and applied in payment of future rent as the same may become due and payable hereunder.

3. If Lessee has been credited with any rent to be received by such reletting under Option (1), and such rent shall not be promptly paid to Lessor by the new tenant, or if such rentals received from such reletting under Option (2) during any month be less than that to be paid during that month by Lessee hereunder, Lessee shall pay any such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the Leased Premises by Lessor shall be construed as an election by Lessor to terminate this Lease unless a written notice of such intention be given to Lessee or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Lessor may at any time thereafter elect to terminate this Lease for any breach, in addition to any other remedy available to Lessor hereunder, Lessor may recover from Lessee all damages which Lessor may incur by reason of such breach, including any cost of recovering the Leased Premises, and including the worth at the time of such termination of the excess, if any, of the amount of rent and charges equivalent to rent reserved in this Lease for the remainder of stated term, all of which amount shall be immediately due and payable from Lessee to Lessor.

29. Indemnification and Hold Harmless. This Lease is made upon the express condition that Lessor, its officers and employees are to be free from liability and claim for damages by reason of any injury to any person or persons, including Lessee, or property of any kind whatsoever or to whomsoever belonging, including Lessee's, from any cause or causes whatsoever while in or upon or in any way connected with the Leased Premises or Lessee's use thereof, or from the failure of Lessee to keep the Leased Premises and all improvements and other property therein in good, safe and sanitary

condition, or otherwise connected with Lessee's use of the Leased Premises or of other parts of the Salinas Municipal Airport during the term of this Lease. Lessee hereby covenant and agrees to defend, indemnify and save harmless Lessor, its officers and employees from all liability, loss, cost and obligations on account of or arising out of or resulting from any such injuries or losses however occurring except to the extent caused by the willful or negligent acts of Lessor, or of officers or employees of Lessor acting within the course and scope of their employment by Lessor.

30. Abandonment, Etc. Except as may be herein in this Lease otherwise expressly provided, Lessee shall not vacate or abandon the Leased Premises at any time during the term of this Lease; and if Lessee shall abandon, vacate or surrender said premises or be dispossessed by process of law or otherwise, any property belonging to Lessee and left on the Leased Premises shall be deemed, at the option of Lessor, to be abandoned.

31. Co-ordinates. Co-ordinates used in the description in this lease are based upon the "Horizontal Control Net California Plan Co-ordinates, Zone 4," for the City of Salinas, on file in the office of the City Engineer of the City of Salinas.

32. Bankruptcy, Etc. Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of Lessee, or (b) a general assignment by Lessee for the benefit of creditors, or (c) any action taken or suffered by Lessee under any insolvency or bankruptcy act, shall constitute a breach of this Lease by Lessee. Notwithstanding the above provisions, the filing of any involuntary petition in bankruptcy against Lessee shall not constitute a breach of this Lease, unless and until there is an adjudication in such involuntary bankruptcy proceedings that Lessee is bankrupt, which adjudication shall constitute a breach of this Lease.

33. Waivers. The waiver by Lessor of any breach of any term, covenant or condition contained in this lease shall not be deemed to be a waiver of such term, covenant or condition in any subsequent breach of the same or any other term, covenant or condition; and the consent or approval by Lessor to or of any act by Lessee requiring Lessor's consent or approval shall not be deemed to waive or render unnecessary Lessor's consent or approval to or of any subsequent similar acts by Lessee, and the subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant or condition other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

34. Litigation Involving Lease. In the event Lessor is made a party to any litigation concerning this Lease or the Leased Premises of any act or omission by Lessee, Lessee shall hold Lessor harmless from all loss or liability, including reasonable attorney's fees incurred by Lessor in such litigation. Further, Lessee shall at its own expense, upon written request by Lessor, defend any such suit or action brought against Lessor, its officers, agents and employees. This section specifically includes any liability arising out of or in connection with separate agreements that Lessor may execute with third parties for services, volunteer or otherwise, relating to or in support of airport activities. In case

suit shall be brought to interpret or to enforce this Lease, or because of the breach of any other covenant or provision herein contained, the prevailing party in such action shall be entitled to recover their reasonable attorneys' fees in addition to such costs as may be allowed by the court.

35. Holding Over. Any holding over after the expiration of this Lease with the consent of Lessor shall be construed to be a tenancy from month to month at a monthly rental equal to one twelfth of the rental for the year immediately preceding the expiration of said term, and shall otherwise be on the terms and conditions herein in this Lease specified so far as applicable, except that there shall be no right to extend the term of this Lease.

36. Lessee's Assumption and Waiver. This Lease is made upon the express condition, and (in consideration of Lessor's leasing the Leased Premises as herein provided) Lessee covenants, that Lessee hereby voluntarily assumes all risk of loss, damage or injury to the person or property of Lessee (including the leasehold interest of Lessee herein), and of its agents or employees, and of any other person in or about the Leased Premises, which during the term of this Lease may be caused by or arise or occur in any manner from:

A. Flight of any aircraft of any and all kinds now or hereafter known in, through, across, around or about any portion of the airspace over the Leased Premises; or

B. Noise, vibration, currents and other effects of air, illumination and fuel consumption, or fear thereof, arising or occurring from or during such flight, or from or during the use by such aircraft of Salinas Municipal Airport facilities, including but not limited to landing, storage, repair, maintenance, operation, warm-up and take-off of such aircraft, and the approach and departure of aircraft to or from said Airport.

Lessee hereby waives and releases Lessor, its officers, employees, agents and contractors, from any and all claims or causes of action which it may now or hereafter have against Lessor, its officers, employees, agents or contractors, for any loss, damage or injury as outlined in subsections A and B of this paragraph.

37. Construction of Lease. Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders. If there be more than one Lessee designated in or signatory to this lease, the obligations hereunder imposed upon Lessee shall be joint and several; and the term "Lessee" as used herein shall refer to each and every of said signatory parties severally as well as jointly. Each term and provision of this Lease performable by Lessee shall be construed to be both a covenant and a condition. This instrument contains all of the agreements and conditions entered into and made by and between the parties hereto and may not be modified orally or in any manner other than by an agreement in writing signed by all parties hereto or their respective successors in interest.

38. Time. Time is and shall be of the essence of each term and provision of this Lease.

39. Material Breach. Each and every material term, condition, covenant and provision of this Lease is and shall be deemed to be a material part of the consideration for Lessor's entry into this Lease, and any breach hereof by Lessee shall be deemed to be a material breach.

40. Notices. Except as is otherwise herein provided, all notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party shall be in writing and shall be sufficiently given and served upon the other party if sent by mail, postage prepaid and addressed as follows:

If to Lessor, the same shall be addressed to:

Airport Manager
Salinas Municipal Airport
30 Mortensen Avenue
Salinas, CA 93905

With a copy to:

City Attorney
City of Salinas
200 Lincoln Avenue
Salinas, California 93901

or to such other place as Lessor may by such similar notice in writing designate.

If to Lessee, the same shall be addressed to:

Jet West LLC
9400 McIntosh Drive
Monterey, California 93940

or to such other place as Lessee may by such similar notice in writing designate.

The execution of any such notices by the Airport Manager of Lessor shall be effective as to the Lessee as if it were by resolution or order of the City Council, and Lessee shall not question the authority of the Airport Manager to execute any such notice.

All such notices shall either be delivered personally to the other party's designee named above, or shall be deposited in the United States Mail, properly addressed as aforesaid, postage fully prepaid, and shall be effective the day following such deposit in the mail.

41. Heirs, Successors, and Assigns. All of the covenants, agreements, conditions and undertakings herein contained shall, subject to the provisions as to assignments, apply to and bind the representatives, heirs, executors, administrators, successors and/or assigns of

all the parties hereto; and all the parties hereto shall be jointly and severally liable hereunder.

42. Captions. The various headings and numbers herein and the grouping of the provisions of this Lease into separate sections and paragraphs are for the purpose of convenience only and shall not be considered part hereof.

43. Partial Invalidity. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby.

44. Hazardous Substances.

A. Pursuant to Health and Safety Code Section 25359.7, Lessor hereby represents and warrants that Lessor does not know, and has no reasonable cause to believe, that any release of Hazardous Materials (as hereafter defined) has come to be located on or beneath the Leased Premises. Lessor shall notify Lessee in writing within a reasonable time of any material release of Hazardous Materials and of any Hazardous Materials that have come to be located beneath the Salinas Municipal Airport. Lessor acknowledges that the presence of such Hazardous Materials might adversely affect water supply from the Improvements or require Lessee to install additional water treatment equipment. If Lessee cannot treat any water contaminated by such Hazardous Materials to the levels required by applicable law, Lessee shall have the right to terminate this Lease on sixty (60) days notice to Lessor.

B. Lessee shall comply with all statutes, laws, ordinances, rules, regulations, and precautions now or hereafter mandated or advised by any federal, state, local or other governmental agency (collectively, "Environmental Laws") with respect to the use, generation, storage, or disposal of hazardous, toxic, or radioactive materials (collectively, "Hazardous Materials"). As herein used, Hazardous Materials shall include, but not be limited to, those materials identified in Sections 66680 through 66685 of Title 22 of the California Code of Regulations, Division 4, Chapter 30, as amended from time to time, and those substances defined as "hazardous substances," "hazardous materials," "hazardous wastes," "chemicals known to cause cancer or reproductive toxicity," "radioactive materials," or other similar designations in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., 33 U.S.C. Section 1251 et seq., 42 U.S.C. Section 300(f) et seq., 42 U.S.C. 7401 et seq., California Health and Safety Code Section 25250 et seq., California Water Code Section 13000 et seq., California Health and Safety Code Section 39000 et seq. and any other Environmental Laws now or hereafter in effect. Lessee shall not cause, or allow anyone else to cause, any Hazardous Materials to be used, generated, stored, or disposed of on or about the Leased Premises, other than reasonable quantities of chemicals required from time to time for the treatment of water to be supplied from the Premises to

the standards then required by applicable laws, plus reasonable reserves for such purposes, and office and cleaning supplies in their retail containers.

C. Lessee shall defend (with counsel approved by Lessor), indemnify and hold Lessor, its officers, officials, employees and volunteers, (collectively, "Lessor Indemnitees") harmless from and against all liabilities, claims, costs, and damages, to the extent arising out of the use, generation, storage, or disposal on the Leased Premises of Hazardous Materials by Lessee or any person claiming under Lessee, including, without limitation, the cost of any required or necessary investigation, monitoring, repair, cleanup, or detoxification and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following the termination of this Lease, as well as penalties, fines, and claims for contribution to the full extent that such action is attributable, directly or indirectly, to the use, generation, storage, or disposal of Hazardous Materials by Lessee or any person claiming under Lessee. Lessee's obligations under this Section 43 shall survive the expiration or termination of this Lease.

D. Lessor shall indemnify and hold Lessee, its officers, employees, agents, and contractors, (collectively, "Lessee Indemnitees") harmless from and against all liabilities, claims, costs, and damages, to the extent arising out of the use, generation, storage, or disposal on the Salinas Airport of Hazardous Materials by Lessor, its officers, officials, employees and volunteers acting within the scope of their employment or duties, or any predecessor in interest of Lessor as owner of the Salinas Airport, including, without limitation, the cost of any required or necessary investigation, monitoring, repair, cleanup, or detoxification and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following the termination of this Lease, as well as penalties, fines, and claims for contribution to the full extent that such action is attributable, directly or indirectly, to the use, generation, storage, or disposal of Hazardous Materials by Lessor or any person claiming under Lessor. Lessor's obligations under this Section 43 shall survive the expiration or termination of this Lease.

E. Prior to the expiration of this Lease, Lessee shall at its sole expense, remove from the Leased Premises all Hazardous Materials placed, used or released thereon by Lessee and shall be solely responsible for the mitigation and cleanup of any spoil or contamination caused by such Hazardous Materials.

F. Lessee and Lessor shall each make available for inspection to the other party, all records relating to the maintenance, release, mitigation, cleanup, and disposal of any Hazardous Materials on the Leased Premises.

G. Lessor and Lessee shall comply with all federal, state, and local laws and regulations relating to Hazardous Materials affecting the Leased Premises, and shall timely comply with the orders of any governmental agencies relating thereto.

H. Lessor may reasonably enter upon and inspect the Leased Premises at any time. Lessee shall be responsible for meeting current storm water pollution prevention Best Management Practices (BMPs), as identified by Lessor in Lessor's Storm Water Pollution Prevention Plan (SWPPP) as amended. As of the commencement date of this Lease Agreement, these BMPs include:

1. maintenance of an adequately labeled and stocked spill kit at the site of the Leased Premises;
2. routine spill response training for employees;
3. keeping all maintenance activities covered from wet weather;
4. use of drip pans.
5. removal of any and all pollutants to an off-site location;
6. use of dry cleanup methods.
7. use of spill and overflow protection.
8. proper storage and labeling of materials.

Lessee understands and agrees that failure to meet the BMPs listed above may result in Lessee no longer being included by Lessor in Lessor's participation in the general permit of the California State Water Resources Control Board concerning storm water discharges.

I. Lessor shall notify Lessee of any material release of Hazardous Materials that has come to be located beneath the Salinas Municipal Airport not more than fifteen (15) days of becoming aware of such release or location so that Lessee may be able to assess possible impacts on its public water supply well. Lessor shall provide Lessee with all available relevant data on the chemical composition, quantity, plans, and schedule for containment, removal, or neutralization of such Hazardous Materials as required by local and state regulations. Lessor acknowledges that the presence of such Hazardous Materials might adversely affect water supply from the Improvements or require Lessee to install additional water treatment equipment. If Lessee cannot treat any water contaminated by such Hazardous Materials to the levels required by applicable law, Lessee shall have the right to terminate this Lease on sixty (60) days notice to Lessor.

45. Multiple Copies of Lease. Multiple copies of this Lease may be executed, but the parties agree that the Lease on file in the office of the City's City Clerk is the version of the Lease that shall take precedence should any difference exist among counterparts of the document.

46. Jurisdiction. This Lease shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Lease shall be in the State of California, in the County of Monterey.

47. Exhibits Incorporated. All exhibits referred to in this Lease and attached to it are hereby incorporated in it by this reference. In the event there is a conflict between any of the terms of this Lease and any of the terms of any exhibit to the Lease, the terms of the Lease shall control the respective duties and liabilities of the parties.

48. Integration and Agreement. Except as otherwise specifically provided herein, this Lease represents the entire understanding of City and Consultant as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters contained herein. No prior oral or written understanding

shall be of any force and effect with respect to those matters covered in it. This Lease may not be modified or altered except by amendment in writing signed by both parties.

49. Compliance with Laws, Rules, and Regulations. Services performed by Consultant pursuant to this Lease shall be performed in accordance and full compliance with all applicable federal, state, and City laws and any rules or regulations promulgated thereunder.

50. Legal Representation. Each party affirms that it has been represented by legal counsel of its own choosing regarding the preparation and the negotiation of this Lease and the matters and claims set forth herein, and that each of them has read this Lease and is fully aware of its contents and its legal effect. Neither party is relying on any statement of the other party outside the terms set forth in this Lease as an inducement to enter into this Lease.


51. Joint Representation. The language of all parts of this Lease shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any party. No presumptions or rules of interpretation based upon the identity of the party preparing or drafting the Lease, or any part thereof, shall be applicable or invoked.

52. Warranty of Authority. Each party represents and warrants that it has the right, power, and authority to enter into this Lease. Each party further represents and warrants that it has given any and all notices, and obtained any and all consents, powers, and authorities, necessary to permit it, and the persons entering into this Lease for it, to enter into this Lease.

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IN WITNESS WHEREOF, the undersigned, as authorized representatives of the City of Salinas and Jet West, LLC have executed this Lease.

CITY OF SALINAS



Dennis Donohue, Mayor

9-1-09

Date

RECOMMENDED FOR APPROVAL

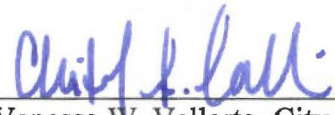


Gary Petersen, Airport Manager

8/27/09

Date

APPROVED AS TO FORM

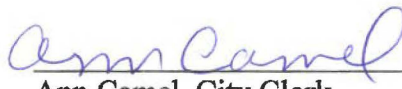


Vanessa W. Vallarta, City Attorney
By
Christopher A. Callihan, Sr. Deputy City Attorney

August 31, 2009

Date

ATTEST

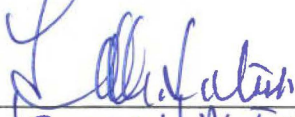


Ann Camel, City Clerk

9-1-09

Date

Jet West LLC



By: LEOPOLDO HERNANDEZ
Its: MANAGING MEMBER

Aug 27, 2009

Date

By:
Its:

Date

**“Exhibit A”
Leased Premises**

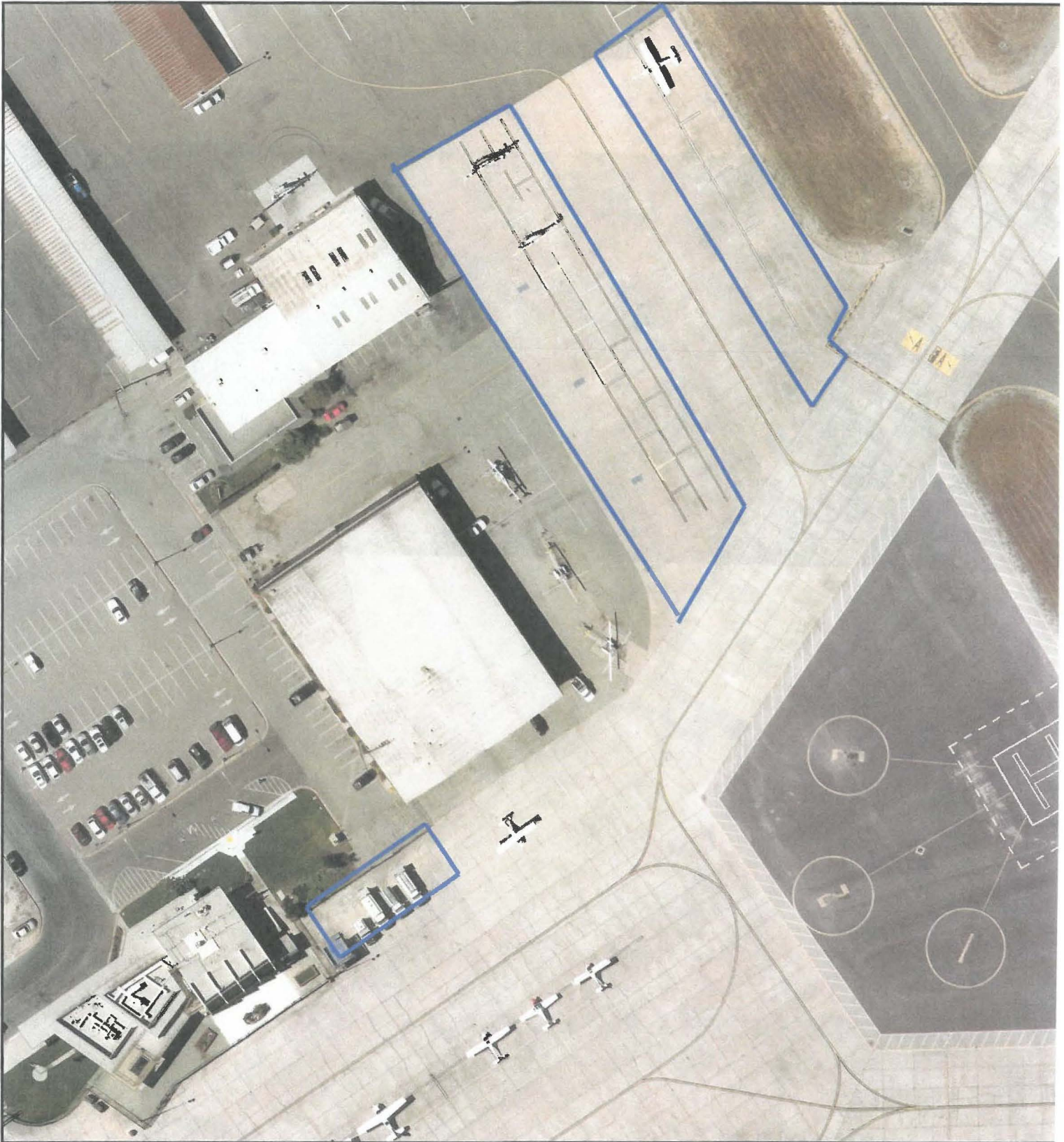


**“Exhibit C”
Leased Premises
Fuel Farm**

Attachment B Fuel Farm



**“Exhibit D”
Leased Premises Ramp Area**



Jet West FBO Lease
September 1, 2009