

RESOLUTION NO. 19152 (N.C.S.)

**RESOLUTION AUTHORIZING THE MAYOR TO EXECUTE A LEASE AGREEMENT
WITH J.R. NORTON VENTURES FOR AGRICULTURAL LAND
AT THE SALINAS MUNICIPAL AIRPORT**

WHEREAS, J.R. Norton Ventures has leased agricultural property at the Salinas Municipal Airport since 1987 and honored all terms and conditions of said leases; and

WHEREAS, the lease with J.R. Norton Ventures has expired and J.R. Norton Ventures has requested a new lease for seventy-seven (77) acres of agricultural property at the Salinas Municipal Airport for the purpose of growing and harvesting agricultural products; and

WHEREAS, pursuant to the terms of the lease agreement between the City of Salinas and J.R. Norton Ventures, J.R. Norton Ventures will pay to the City of Salinas the amount of \$65,450 annually subject to increases as specified in the lease.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF SALINAS that the Mayor of Salinas be, and hereby is authorized and directed, for and on behalf of the City of Salinas, and as its act and deed, to execute the Ground Lease between the City of Salinas and, J.R. Norton Ventures for the purpose of growing and harvesting agricultural products.

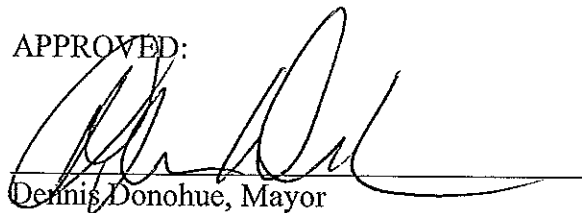
PASSED AND ADOPTED this 20th day of February 2007 by the following vote:

AYES: Councilmembers Barnes, Barrera, Lutes, Sanchez, Villegas,
and Mayor Donohue

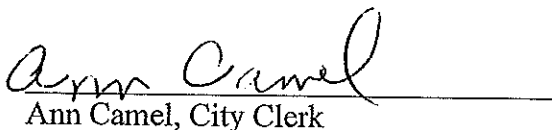
NOES: None

ABSENT: Councilmember De La Rosa

APPROVED:


Dennis Donohue, Mayor

ATTEST:


Ann Camel, City Clerk

GROUND LEASE

The Ground Lease ("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 **J.R. NORTON VENTURES LIMITED PARTNERSHIP**, an Arizona limited partnership (hereinafter referred to as "Lessee").

WITNESSETH

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

WHEREAS, Lessee desires to lease a portion of the Airport property, located near the approach end of Runway 13/31 and Lessor desires to lease such property to Lessee; 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, and conditions, and provisions 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 property leased to Lessee pursuant to this Lease is herein referred to as the "Leased Premises" and consists of approximately seventy-seven (77) acres of land used for agricultural farming purposes, located near the approach end of Runway 13/31, as more particularly described and shown on **Exhibit A**, attached hereto and incorporated herein by reference. Lessee understands and acknowledges that specifically excluded from the Leased Premises are those areas that are under control of the Federal Aviation Administration ("FAA"), that are more particularly shown and described on **Exhibit A**, and which consist of the Medium Intensity Approach Light System, Runway Alignment Indicator Lights ("MALSR"), Equipment Shelter, and maintenance access road. Those portions of the area under control of the FAA not used for right-of-way and facilities may be used by Lessee for normal farming operations, provided the operation of the MALSR is not affected and the FAA facilities are not endangered by the farming operations.

Lessee understands and acknowledges that eleven (11) of the acres leased to Lessee pursuant to this Lease may fall within an Airport Protection Area and further understands and acknowledges that in the event said eleven (11) acres become so categorized by the FAA, Lessee will be prohibited from occupying or using said acres and said acres shall no longer be subject to this

Lease. Lessee shall, therefore, have no further right or privileges to use or occupy said eleven (11) acres pursuant to this Lease, subject only to Lessee's right to harvest any agricultural crops then growing thereon. In the event Lessee is prohibited from using and occupying said eleven (11) acres, the total amount of rent due Lessor from Lessee under this Lease and as provided in Section 6 of this Lease shall be adjusted appropriately.

2. USE OF LEASED PREMISES

This Lease is made for the purpose of granting Lessee the exclusive use of the Leased Premises for the purposes described in this section.

A. Lessee shall utilize the Leased Premises for the purpose of harvesting agriculture crops only, and for such other purposes as are supportive or incidental to these uses, and Lessee shall not use the Leased Premises or any part hereof, nor permit them to be used for any purpose(s) other than for those specifically described in this section. As used herein, agricultural farming purposes are defined as use for horticultural purposes, including but not limited to, the raising of fruits, vegetables, berries, nuts, and other foods for human consumption, feed for animals, flowers, sod, trees, nursery or greenhouse products, and ornamental plants and shrubs for the purpose of selling such products in the regular course of business.

B. Lessee understands and acknowledges the existence of an access and maintenance road located adjacent to the Leased Premises that is used to service the ILS Approach Light System, and that such access and maintenance road must be kept clear and in good order and repair at all times. Lessee shall reimburse Lessor for any and all damages to the ILS Approach Light System, the Middle Marker, and the access and maintenance road at said Airport, caused by reason of or resulting from Lessee's operation upon the Leased Premises.

C. Lessee shall not permit the residential occupancy by any person or persons of any facility, structure or improvement presently existing or to be constructed by Lessee on the Leased Premises.

D. Lessee shall cultivate, irrigate, fertilize, and otherwise farm the Leased Premises in accordance with approved practices of good husbandry in accordance with standard farming practices of the vicinity. To that end, Lessee shall not commit, suffer or permit any waste on the Leased Premises and shall not use said Leased Premises for any illegal purpose.

3. RIGHT TO QUIET ENJOYMENT

Lessee shall have the right to undisturbed quiet enjoyment of the Leased Premises and Lessor has no desire or intention to interfere with Lessee's quiet enjoyment thereof, subject only to the provisions of this Lease.

4. MAINTENANCE OF LEASED PREMISES

A. Lessee agrees to maintain the Leased Premises and all farming facilities and equipment placed of used on the Leased Premises in good order and repair and to keep said

Leased 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. Failure of Lessee to properly maintain and repair the Leased Premises shall constitute a breach of the terms of this Lease.

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, for which Lessor shall be accompanied by Lessee or one of its agents, 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, Lessor's Airport Manager may, after giving written notice to Lessee and after a reasonable time to cure, cause such repair and maintenance to be made, the costs and expenses of which shall be the responsibility of Lessee. If said Lessee does not pay costs promptly, Lessee shall be deemed to be in default of this Lease and Lessor shall be entitled to all legal remedies provided hereunder.

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

5. TERM.

A. The term of this Lease shall be for a period of seven (7) years commencing on November 1, 2006 ("Commencement Date") and ending on October 31, 2013, ("Termination Date"), unless extended or terminated sooner in the manner and under the conditions herein provided (the "Original Term").

B. Lessor hereby grants to Lessee the option to extend this Lease for two (2) additional five (5) year terms from and after the Termination Date ("Extended Term") at a rental rate to be determined as hereinafter provided. Said options shall be exercised by the Lessee by delivering to Lessor written notice of its intent to exercise such option, which notice shall be delivered not less than 180 days before the expiration of the Original Term or any Extended Term thereof. Said options shall only become effective upon the prior written consent of the Lessor, and in the event Lessor does not consent to the exercise of any of such said options, this Lease shall terminate on the then applicable termination date subject only to Lessee's right to harvest whatever agricultural crops may then be growing on the Leased Premises.

6. RENT

A. During the Original Term of this Lease and any Extended Term thereof, rent shall be paid pursuant to the terms of this section.

B. Rent during the first three (3) years of the Original Term shall be set at eight hundred twenty-five dollars (\$825.00) per net acre and shall be payable, at the option of the Lessee, in either annual or equal monthly installments, initially at the rate of five thousand two hundred

ninety-three dollars and seventy-five cents (\$5,293.75) per month or sixty-three thousand five hundred twenty-five dollars (\$63,525.00) per annum. Rent during the remaining four (4) years of the Original Term shall be established as mutually agreed upon by the Lessor and the Lessee. In the event Lessor and Lessee are unable to agree upon a rental amount for the remaining four (4) years of the Original Term, the rental amount shall be determined pursuant to the appraisal procedures established in subsection C of this section. In the event Lessee elects to pay rent annually, said payment shall be due and payable on the annual anniversary of the Commencement Date. In the event Lessee elects to pay rent on a monthly basis, said rent shall be due and payable on the first day of each calendar month. Rent shall be made payable to the City of Salinas and shall be delivered to the City of Salinas at 200 Lincoln Avenue, Salinas, California 93901, Finance Department, Attn: Airport Fund.

C. Rent for any Extended Term of this Lease shall be established as mutually agreed upon by Lessor and Lessee. In the event Lessor and Lessee are unable to agree upon a rental amount for the Extended Term, the rental amount shall be established pursuant to the following appraisal procedures:

(1) Lessor and Lessee shall each select a qualified appraiser which appraiser shall then select a third appraiser. Lessor shall, upon selection of the appraisers, fix a time and place for a conference between the parties and the appraisers. Said conference shall be for the purpose of agreeing upon the general instructions to be given the appraisers.

(2) The appraisers selected by Lessor and Lessee shall, within forty-five (45) days after receiving their instructions, deliver a copy of their fully documented written appraisal of the then current fair market rental value of the Leased Premises to Lessor, Lessee, and the third appraiser. The third appraiser shall analyze said appraisals and conduct such investigations, interviews, and discussions with or without the other appraisers or either of them as he/she deems necessary.

(3) After a time not to exceed fifteen (15) days after submission of the written appraisals and at a place the three appraisers shall name, the respective parties may have representatives appear and argue such appraisal matters as the parties deem appropriate. Within five (5) days after such time, the appraisers shall make a final written determination of the then current fair market rental value of the Leased Premises.

(4) If the appraisers are unable to agree, then the final determination shall be made by the third appraiser.

(5) Lessor and Lessee shall pay the cost of the appraiser chosen by them and equally share the cost of the third appraiser.

(6) In the event Lessor and Lessee remain unable to agree upon a fair market rental value of the Leased Premises following final determination of the appraised fair market rental value of the Leased Premises, Lessee's option to extend this lease shall terminate and this Lease shall terminate on the then applicable termination date subject only to Lessee's right to harvest whatever agricultural crops may then be growing on the Leased Premises.

7. UTILITIES

Lessee shall install, connect and maintain, at Lessee's sole cost and expense, all utilities and utility facilities and services necessary for Lessee's water facilities, including but not limited to light, power, gas, telephone, water, sewage, drainage, garbage, rubbish and other disposal facilities and services. In addition to the rent hereinbefore reserved, Lessee shall pay for all water, gas, heat, light, power, telephone, sewage, garbage and rubbish disposal, and all other services supplied to the Leased Premises.

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.

8. TAXES AND ASSESSMENTS.

Lessee shall pay, before any fine, penalty, interest or cost may be added thereto for the non-payment thereof, 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 thereon, and any interest of Lessee therein, for the full Original Term and any Extended Term of this Lease.

9. 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 cast 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 Premises and any improvements thereon, except those installed by Lessee, shall be payable to and shall be the sole property of the Lessor. Any compensation made for any improvements placed on the Leased Premises by Lessee shall be paid to Lessee.

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, upon one hundred twenty (120) days prior written notice of Lessee's intention to terminate.

C. If such public taking either in whole or in part, 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, to their original condition, reasonable use excepted, and paying to Lessor any rent accruing hereunder to the date of termination, and all unpaid taxes and assessments then accruing upon the Leased 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.

10. 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 Department of Development and Engineering Services, prior to installation.

11. TITLE TO IMPROVEMENTS

All improvements and fixtures made or attached to the Leased Premises shall remain the property of Lessee upon the termination of this Lease, or at the sooner termination of Lessee's tenancy. Equipment, materials, and fixtures now or hereafter installed or placed by Lessee on or in the Leased Premises shall remain the property of Lessee.

12. 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	\$1,000,000
Aggregate	\$2,000,000
Automobile Liability	
Combined Single Limit Per Occurrence	\$1,000,000
Workers Compensation	Statutory Limits

Lessee understands and acknowledges that based upon business trends and the various risk factors associated with operating an airport, the insurance limits provided in this section are subject to reasonable changes through the term of this Lease pursuant to administrative determination by Lessor or pursuant to a resolution of the Salinas City Council. Notice of such change shall be provided to Lessee in accordance with the provisions of Section 39 of this Lease.

(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.

(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.

(e) All insurance companies affording coverage shall provide thirty (30) days written notice by certified or registered mail 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, in a form appropriate for the foregoing coverages and satisfactory to Lessor's Risk and Benefits Analyst, concurrently with the submittal of this Lease.

(g) Lessee shall provide a substitute certificate of insurance no later than ten (10) days prior to the policy expiration date. Failure by the Lessee to provide such a substitution and extend the policy expiration date shall be considered 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 Lessor, to act as proof of insurance only until such time as a certificate of insurance has been received by the 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.

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, telecommunication, 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, provided that no sewer facilities shall be constructed closer than fifty feet (50') away from Lessee's Improvements. 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 of any secured creditor of Lessee. Lessor agrees that all rights granted to third parties by reason of this clause shall contain provisions stating that upon completion of construction by such third parties, the party performing such construction shall restore the surface of the Leased Premises, as nearly as practicable, to its condition prior to any work by such third party.

B. Lessor reserves the right to further develop or improve the aircraft operational areas of the Airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance, but subject to Lessor's obligations and Lessee's rights under the terms of this Lease. In the event Lessor determines to either develop or improve the Airport as provided in this subsection, Lessor shall provide Lessee no less than 180-days advance written notice of its intent to do so, and Lessee shall thereupon have the right at the expiration of such 180-day period to terminate this Lease without any further obligation hereunder.

C. Lessor reserves the right, but shall not be obligated to 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 Lessee in this regard. In the event any of Lessor's activities under this subsection interfere with Lessee's occupancy and use of the Leased Premises in such a way that Lessee, in its discretion, determines that its rights under this Lease are so hindered or impaired as to prevent it from performing its regular farming activities, Lessee shall have the option to terminate this Lease 180-days notice and Lessee shall have no further obligation hereunder.

D. 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. In the event any of Lessor's activities under this subsection interfere with Lessee's occupancy and use of the Leased Premises in such a way that Lessee, in its discretion, determines that its rights under this Lease are so hindered or impaired as to prevent it from performing its regular farming activities, Lessee shall have the option to terminate this Lease 180-days notice and Lessee shall have no further obligation hereunder.

E. 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").

F. Lessee understand and acknowledges that Lessor has secured an avigation easement over and laterally adjacent to the Leased Premises and the improvements existing from time to time, 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 known, in, through, across or about any portion of said Super Adjacent Air Space and any air space laterally adjacent thereto; and 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 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.

14. RESERVATION OF MINERAL RIGHTS

Lessor reserves to itself all of the oil, gas, coal and other minerals, including water, upon, in and under the Leased Premises. This reservation shall not diminish the right of the Lessee under this Lease to occupy and freely use the Leased Premises.

Notwithstanding this reservation of mineral rights by Lessor, Lessee shall have the right to draw upon such quantity of water from the Leased Premises as may be reasonably necessary for purposes permitted under the terms of this Lease on the Leased Premises.

15. LEASE SUBORDINATE TO AGREEMENTS WITH 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.

16. 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.

17. USE TO CONFORM WITH FEDERAL AVIATION REGULATIONS

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

18. USE TO CONFORM WITH 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 and Chapter 37 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 Salinas Municipal Airport, including without limitation the portion thereof that includes the Leased Premises.

19. 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.

20. LESSEE AGREEMENTS

A. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations and Article 2, Chapter 4 of the Salinas City Code, 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 by accepting this, expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object, nor permit the growth of any tree on the Leased Premises to penetrate the transitional surfaces, as defined in Federal

Aviation Regulations and Article 2, Chapter 4 of the Salinas City Code. 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. Lessee by accepting this Lease, 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 as presently configured 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. Any future change in the configuration of the Salinas Municipal Airport is subject to Lessee's rights and Lessor's obligations as otherwise provided in this Lease.

21. 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 performed by or for Lessee, or otherwise arising out of the acts or omissions of Lessee.

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.

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 Improvements by or for Lessee, or any other claim charge or demand which Lessee has agreed to pay under the covenants of this Lease, Lessee shall, within thirty (30) days after written notice from Lessor to Lessee pay and discharge the same or shall furnish to Lessor, in a form satisfactory to Lessor, 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, within said thirty (30) days period, not pay or 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.

22. RIGHT TO ASSIGN OR TRANSFER

A. Lessee shall 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. Lessor shall not unreasonably withhold its consent to the encumbrance, assignment or transfer of the Lease.

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 fifty-one percent (51%) shall be deemed an assignment within the meaning of 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 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.

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. Lessor understands and acknowledges that Lessee has entered into a sublease of the Leased Premises with Gene Jackson Farms and Lessee shall have the right to continue such sublease pursuant to the terms established therein.

23. 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 sixty (60) 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 sixty (60) 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 sixty (60) 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 is in default under this Lease after Lessor has given the notice and the cure periods have expired as set forth herein, Lessor may sue for all amounts owed and all damages incurred on account of such breach, may enjoin any breach, and may abate any nuisance.

D. Prior to the commencement of any litigation by Lessor or Lessee against the other party, the parties shall meet and confer. Either party may request one or more meetings by written notice to the other party, which notice shall set forth the alleged default or defaults under this Lease and two (2) acceptable meeting dates and times. If the parties are unable to resolve the issue to the satisfaction of both parties within sixty (60) days after initial written notice from either party to the other party requesting a meeting and setting forth the alleged default, the aggrieved party may commence litigation as permitted by this Lease. The foregoing sixty (60) day period shall be shortened to five (5) days if the alleged default under this Lease affects public health, safety, and welfare.

24. INDEMNIFICATION AND HOLD HARMLESS

This Lease is made upon the express condition that Lessor, its officers, officials, employees, and volunteers 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, while in or upon or in any way connected with the Leased Premises or Lessee's use thereof, to the extent caused by any negligent and/or intentional acts and/or omissions of Lessee, or by the failure of Lessee to keep the Leased Premises and all improvements and other property therein in good, safe, and sanitary condition. Lessee hereby covenants and agrees to defend, indemnify and hold Lessor, its officers, officials, employees, and agents harmless from all liability, loss, cost, and obligations on account of or arising out of or resulting from any such injuries or losses to the extent caused by any negligent and/or intentional acts and/or omissions of Lessee, its employees, agents, contractors or subcontractors or by the failure of Lessee to keep the Leased Premises and all improvements and other property thereon in good, safe, and sanitary condition. It is agreed, however, that the above provision does not apply to the extent injury, damage or loss is caused by any negligent and/or intentional acts and/or omissions of Lessor, or of Lessor's officers, officials, employees, or agents.

Lessor expressly agrees that Lessee, its officers, employees, agents, contractors, and subcontractors are to be free from liability and claim for damages by reason of any injury to any person or persons, including Lessor, or property of any kind whatsoever or to whomsoever belonging, including Lessor's, to the extent caused by any negligent and/or intentional acts

and/or omissions of Lessor, its officers, officials, employees, or agents while in or upon or in any way connected with the Salinas Municipal Airport or Lessor's use thereof, or from the failure of Lessor to keep the Salinas Municipal Airport and its improvements and other property therein, excepting the Leased Premises, in good, safe, and sanitary condition. Lessor hereby covenants and agrees to defend, indemnify, and hold Lessee, its officers, employees, agents, and contractors, harmless from all liability, loss, cost, and obligations on account of or arising out of or resulting from any such injuries or losses to the extent caused by any negligent and/or intentional acts and/or omissions of Lessor, its officers, officials, employees, or agents. It is agreed, however, that the above provision does not apply to the extent injury, damage or loss is caused by any negligent and/or intentional acts and/or omissions of Lessee, its officers, employees, agents, contractors or subcontractors.

25. 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. Lessee shall not be deemed to have abandoned the Leased Premises until and unless Lessee has ceased all agricultural farming operations on the Leased Premises for a period of one (1) year.

26. 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.

27. WAIVERS

The waiver by Lessor or Lessee 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 or Lessee to or of any act by Lessor or Lessee requiring the other party's consent or approval shall not be deemed to waive or render unnecessary Lessor or Lessee's consent or approval to or of any subsequent similar acts by Lessor or 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.

28. LITIGATION INVOLVING LEASE

In the event Lessor is made a party to any litigation concerning this Lease or the Leased Premises arising out of any negligence or misconduct of Lessee, Lessee shall hold Lessor, its officers, officials, employees, and volunteers 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, officials, agents, employees, and volunteers. 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 for the recovery of any rent due under the provisions of this Lease, or because of the breach of any other covenant or provision herein contained on the part of either party to be kept or performed, or in connection with any indemnification required under this Lease, the prevailing party shall pay to the other party reasonable attorney's fees and costs, which shall be fixed by the court.

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

29. HOLDING OVER

Any holding over after the expiration of this Lease with the consent of Lessor shall be construed to be a month-to-month tenancy for a maximum of sixty (60) days, at a monthly rental equal to the rental for the month 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, including the rental provisions of Section 5 of this Lease, except that there shall be no right to extend the term of this Lease beyond such sixty (60) day tenancy.

30. 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.

31. 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.

32. 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 certified mail, postage prepaid, return receipt required, 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
Office of the City Attorney
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:

J.R. Norton Ventures, L.P.
Attn: J.R. Norton, General Partner
P.O. Box 44015
Phoenix, Arizona 85064-4015

With a Copy to:

Roger L. Stevenson
J.R. Norton Ventures, L.P.
P.O. Box 44015
Phoenix, Arizona 85064-4015

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

33. 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.

34. 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.

35. 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.

36. 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 be permitted to use pesticides, herbicides, fungicides, and any other material, chemical or substance regularly used by it in its farming operations, in accordance with generally accepted practices in the industry and in accordance with any and all applicable federal, state, and local laws or regulations, and further, Lessee shall comply with all manufacturer issued warnings, labels, and instructions and any and all applicable material data safety sheets (MSDS) applicable to the use of such materials, chemicals or substances and shall in all respects apply, maintain, store, and otherwise use such materials, chemicals, and substances in accordance with all applicable federal, state, and local laws and regulations.

D. 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 shall survive the expiration or termination of this Lease.

E. 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.

F. 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. Lessee shall not be responsible, pursuant to this section, for the removal of any pesticides, herbicides, fungicides or other materials, chemicals or other substances applied by it during its regular course of farming operations as authorized pursuant to the terms of this section.

G. 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 and Lessee shall maintain such records for the time periods and in the manner required under any applicable federal, state or local law or regulation.

H. 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.

37. TIME

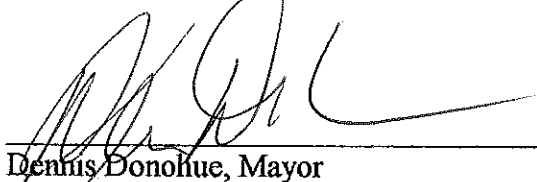
Time is and shall be of the essence of each term and provision of this Lease. Given time constraints identified by Lessee, Lessee understands and agrees that this Lease has been provided to the Federal Aviation Administration (FAA). At such time as the FAA may require changes to the Lease, Lessee agrees to make such changes as do not adversely affect Lessee's proposed use of the Leased Premises or materially increase Lessee's costs in connection with the Improvements or occupancy of the Leased Premises. If Lessee's use or costs will be materially adversely affected, Lessee may terminate this Lease on notice to Lessor.

38. COUNTERPARTS

This Lease may be executed in one or more counterparts, each of which shall be considered an original, and all of which together shall constitute one document.

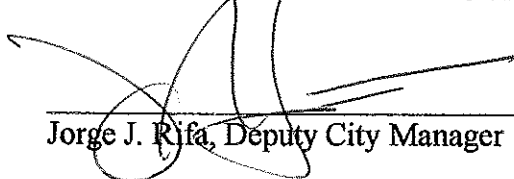
IN WITNESS WHEREOF, the undersigned, as authorized representatives of the parties, have executed this Lease.

CITY OF SALINAS


Dennis Donohue, Mayor


2-20-07
Date

RECOMMENDED FOR APPROVAL


Jorge J. Rifa, Deputy City Manager

2-20-07
Date

APPROVED AS TO FORM


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

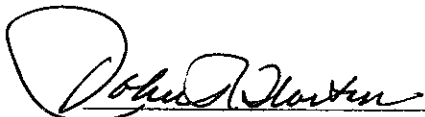
14 February 2007
Date

ATTEST:

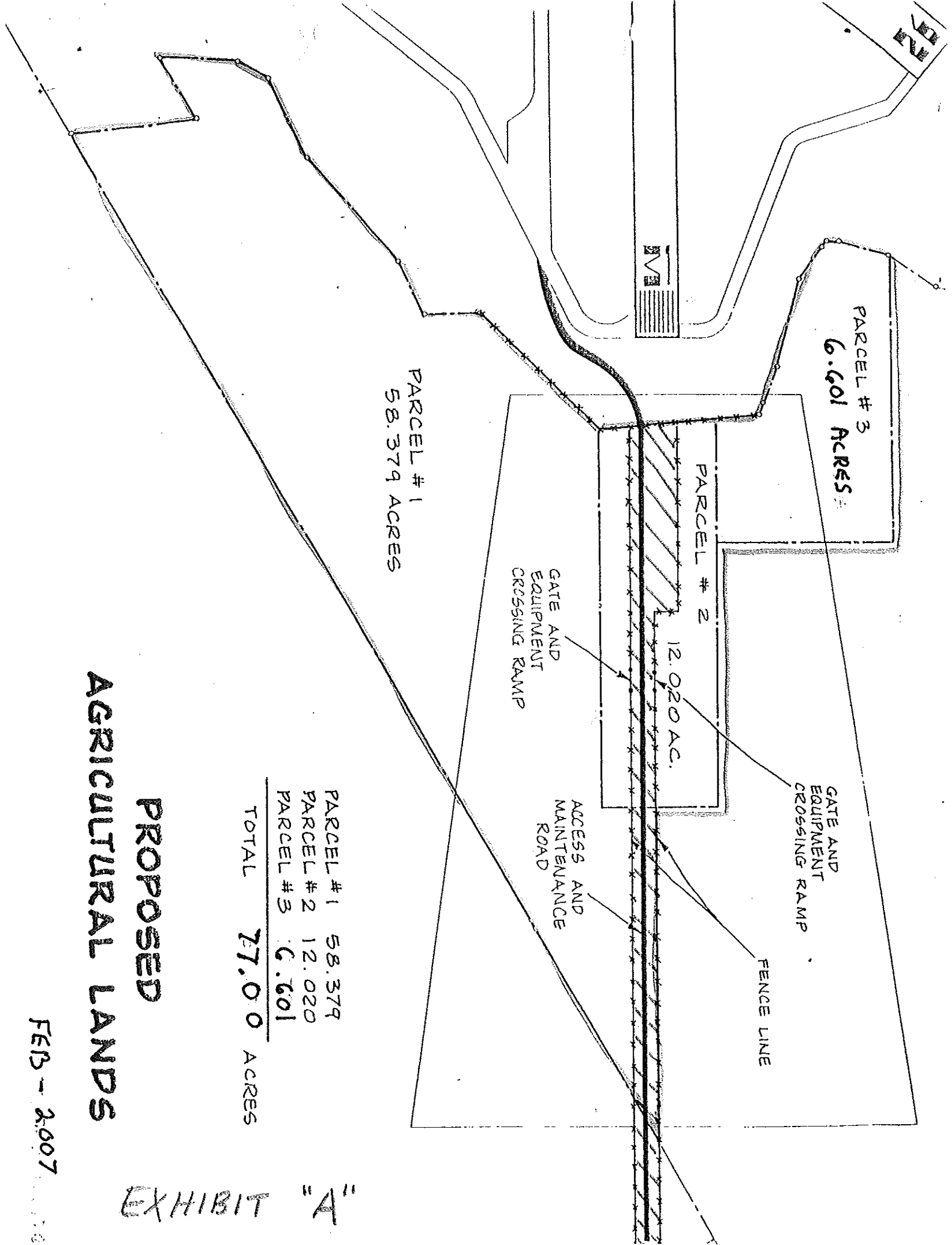

Ann Camel, City Clerk

2-20-07
Date

J.R. NORTON LIMITED PARTNERSHIP


John R. Norton
General Partner

FEBRUARY 12, 2007
Date



PARCEL # 1	58.379
PARCEL # 2	12.020
PARCEL # 3	6.601
TOTAL	77.000
	ACRES

PROPOSED
AGRICULTURAL LANDS

EXHIBIT "A"