

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

833



FROM: Economic Development Agency

SUBMITTAL DATE:
July 13, 2009

SUBJECT: Assignment of Ground Sublease, French Valley Airport

RECOMMENDED MOTION: That the Board of Supervisors:

- 1) Consent to the Assignment of Ground Sublease dated June 16, 2009, from Nicholas J. and Marryanne O. Arentz, as Assignor, to Nicholas J. Arentz and Marryanne O. Arentz, Co-Trustees of the Arentz Family Living Trust, dated April 25, 2000, as Assignee, of the Ground Sublease dated August 9, 2008, between French Valley Hangars, LLC, as Sublessor, and Nicholas J. and Maryanne O. Arentz, Sublessee; and
- 2) Authorize the Chairman of the Board of Supervisors to execute the Consent.

BACKGROUND: The Economic Development Agency has received an Assignment of Ground Sublease dated June 16, 2009, from Nicholas J. and Marryanne O. Arentz, as Assignor, to Nicholas J. Arentz and Marryanne O. Arentz, Co-Trustees of the Arentz Family Living Trust, dated April 25, 2000, as Assignee.

Continued

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	No

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY:
County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY:
DATE: 8-4-09
Departmental Concurrence
CYNTHIA M. GUNZEL

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: 6/4/02 3.21; 10/21/03 3.13; 7/17/07 3.21; 11/20/07 3.22; 3/17/09 3.16 **District:** 3rd **Agenda Number:**

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.35
EDA-REF11
Form 11 (Rev 06/2003)

BACKGROUND: (continued)

The Assignment is for the Ground Sublease dated August 9, 2008, between French Valley Hangars, LLC, as Sublessor, and Nicholas J. and Maryanne O. Arentz, as Sublessee. The sublease is under a 3.5-acre Lease, dated June 4, 2002, and as amended, between the County of Riverside and French Valley Hangars, LLC.

The Economic Development Agency recommends that the Board of Supervisors Consent to the Assignment. County Counsel has reviewed the Assignment and approved the Consent as to form.

CONSENT TO ASSIGNMENT

The County of Riverside, a political subdivision of the State of California, (Lessor) hereby consents to the foregoing Assignment of Ground Sublease by Sublessee, with Consent of Sublessor, for the hangar space designated as Building 100, Unit A, between Nicholas J. and Maryanne O. Arentz, as Sublessee and Assignor, and Nicholas J. Arentz and Maryanne O. Arentz, Co-Trustees of the Arentz Family Living Trust dated April 25, 2000, as Assignee, without however waiving the restrictions contained in the Master Lease, between the County of Riverside, as Lessor, and French Valley Hangars, LLC, as Lessee, dated June 4, 2002, described as 3.5 acres of land French Valley Airport, with respect to any future assignments thereunder, and without releasing the Assignor under said lease from any obligations that are not performed by Nicholas J. Arentz and Maryanne O. Arentz, Co-Trustees of the Arentz Family Living Trust, dated April 25, 2000, as Assignee, and otherwise accepts the Assignee, Nicholas J. Arentz and Maryanne O. Arentz, Co-Trustees of the Arentz Family Living Trust dated April 25, 2000, as Sublessee under said Lease to all intents and purposes as though Assignee was the original Sublessee thereunder.

Date: _____

COUNTY OF RIVERSIDE
a political subdivision of the State of California

By: _____
Chairman, Board of Supervisors

FORM APPROVED:

Pamela J. Walls, County Counsel

ATTEST:

Kecia Harper-Ihem, Clerk of the Board

By: Synthia M. Gunzel
Deputy

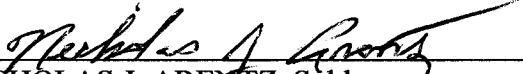
SYNTHIA M. GUNZEL

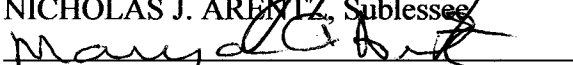
By: _____
Deputy

ASSIGNMENT OF GROUND SUBLEASE

NICHOLAS J. and MARYANNE O. ARENTZ, as Sublessee, entered into a Ground Sublease for Hangar, dated August 9, 2008, with FRENCH VALLEY HANGARS, LLC ("Sublessor") (the "Sublease"), attached hereto as Exhibit A. NICHOLAS J. and MARYANNE O. ARENTZ hereby transfer all right, title and interest in and to the Sublease to NICHOLAS J. ARENTZ and MARYANNE O. ARENTZ, Co-Trustees of the Arentz Family Living Trust dated April 25, 2000. This assignment includes the assignment of Sublessee's entire right, title and interest in and to the hanger that Sublessee constructed on the premises. The execution of this Assignment and the transfer of all rights, title and interest herein are contingent upon the acceptance and approval by the Riverside County Board of Supervisors.

DATED: June 16, 2009



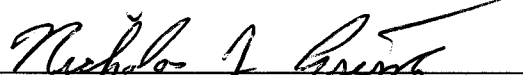
NICHOLAS J. ARENTZ, Sublessee


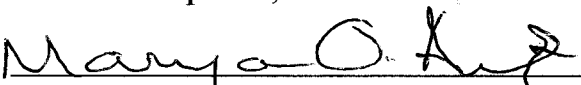
MARYANNE O. ARENTZ, Sublessee

ACCEPTANCE OF ASSIGNMENT

The undersigned, NICHOLAS J. ARENTZ and MARYANNE O. ARENTZ, Co-Trustees of the Arentz Family Living Trust dated April 25, 2000, do hereby accept the foregoing assignment and do hereby agree to be bound by and to perform all of the terms, covenants, conditions and undertakings on the part of Sublessee contained in the Sublease as though an original signatory thereto.

DATED: June 16, 2009



NICHOLAS J. ARENTZ,
Co-Trustee of the Arentz Family Living
Trust dated April 25, 2000


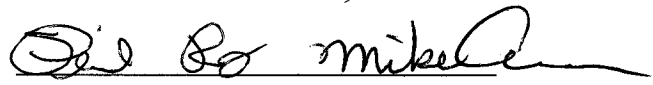
MARYANNE O. ARENTZ,
Co-Trustee of the Arentz Family Living
Trust dated April 25, 2000

CONSENT TO ASSIGNMENT

The undersigned, FRENCH VALLEY HANGARS, LLC, hereby consents to the foregoing assignment and acceptance of the Sublease between NICHOLAS J. and MARYANNE O. ARENTZ to NICHOLAS J. ARENTZ and MARYANNE O. ARENTZ, Co-Trustees of the Arentz Family Living Trust dated April 25, 2000.

DATED: 6-17, 2009

FRENCH VALLEY HANGARS, LLC

By: 

Its managers

Ground Sublease For Hangar

This Sublease ("Sublease") is entered into on August 9, 2008 by and between **FRENCH VALLEY HANGARS, LLC.**, hereinafter referred to in this Sublease as "Sublessor," and **Nicholas J. and Maryanne O. Arentz** hereinafter referred to in this Sublease as "Sublessee."

ARTICLE I LEASED PREMISES

Agreement to Lease

Section 1.01 In consideration of the agreements and covenants contained in this Sublease to be kept and performed by both Sublessor and Sublessee, Sublessor leases to Sublessee and Sublessee leases from Sublessor the Premises described in Section 1.02 of this Sublease. All terms and conditions of this Agreement are subject to the "Master Lease" between the County of Riverside as Master Lessor, ("County" or "Master Lessor") and French Valley Hangars, LLC as Master Lessee dated June 4, 2002, and amended by First Amendment on October 21, 2003, and by Second Amendment on July 17, 2007, and by Third Amendment on November 11, 2007. In the event of a conflict between this Sublease and the Master Lease, the Master Lease will control over any contrary or conflicting provision of the Sublease. (A true and correct copy of the Master Lease and all amendments are attached hereto as Exhibit "A" and incorporated herein by this reference.)

"Premises" Defined

Section 1.02 "Premises" means that space that is designated as Building 100, Unit A of the hangar project known as "French Valley Hangars LLC" (the "Project") located at the French Valley Airport, Murrieta, California. The Premises contain approximately 4,500 square feet of gross floor area and includes all of the land to be subleased. The premises are subject to verification and measurement by Sublessor and Sublessee. The parties agree that the approximate number of square feet of gross floor area as referred to above, shall be used for purposes of determining Sublessee's pro-rata share of taxes and Common Area fees as hereinafter set forth. A copy of the floor plan and common areas are attached hereto for reference only.

Right to Use Common Areas

Section 1.03 Sublessee has the non-exclusive right to use in common with others, the Common Areas of the Project. The term "Common Areas" is defined in Section 5.02 of this Sublease.

ARTICLE II SUBLESSEE'S USE

Permitted Use

Section 2.01 Sublessee is leasing the Premises for the construction of a building for the

storage of aircraft and to incorporate the sublessee's office and photo lab as necessary for the operation of their aerial imagery acquisition business, and for those purposes only. No other uses or uses are permitted without the prior express written consent of Sublessor and Master Lessor. Any such express written consent shall be signed by each of the parties and a copy thereof attached hereto, said consent not to be unreasonably withheld.

Restrictions on Use

Section 2.02 Notwithstanding the generality of the foregoing provisions, the following restrictions shall be applicable to Sublessee's use of the Premises:

(a) Only the use specified in Section 2.01 are authorized uses. Sublessee is expressly prohibited from using the Premises or any portion thereof for any other purpose.

(b) Sublessee shall not commit or permit the commission of any acts on the Premises nor use or permit any use of the Premises in any way that:

(i) Increases the existing rates for or causes cancellation of any fire, casualty, liability or other insurance policy insuring the Premises or its contents;

(ii) Violates or conflicts with any law, statute, ordinance or governmental rule or regulation, whether now in force or hereinafter enacted, governing the Premises or the Project;

(iii) Obstructs or interferes with the rights of other tenants or occupants of the Project or injures or annoys them; or

(iv) Constitutes commission of waste on the Premises or the commission or maintenance of a nuisance as defined by the laws of California.

Section 2.03 N/A

Cooperation with County

Section 2.04 Sublessee shall cooperate with the Sublessor in the enforcement of the provisions of the Master Lease, the ordinances, rules and regulations promulgated thereunder, now or hereinafter adopted by the County, including, without limitation, provisions requiring the delivery to the County of all information available to Sublessee concerning any violation of the terms of the Master Lease, the Sublease, the rules and regulations promulgated thereunder of any of Lessee's invitees, employees or customers; provided, however, Sublessee shall not be responsible for any costs or expenses in cooperating with County under this Section 2.04, except for Sublessee's proportionate share of Common Area Costs under Section 4.04.

No Restriction on Sublessor

Section 2.05 Sublessor shall have the absolute right in its sole and arbitrary discretion to use for its own benefit or to lease any other hangar or any other portion of the Project to any person entity or business for any purpose allowed by the terms of the Master Lease.

Signs

Section 2.06 Sublessee shall not place, install, or maintain any sign, awning, canopy advertising, or other matter on the exterior of the Premises (including, any window or door), unless it obtains the prior written approval of Sublessor and Master Lessor, which approval shall not be unreasonably withheld. Subsequent to Sublessor's written approval, Sublessee shall comply with all regulations and requirements of County relating to any such sign prior to the installation of the same. Any changes required by County in connection with Sublessee's application shall be subject to the prior written approval of Sublessor prior to the installation or display of any such sign.

ARTICLE III TERM OF LEASE,

Term of Lease

Section 3.01 The term of this Sublease shall be for a period commencing the day following execution by all parties thereto, (Commencement Date) and will terminate on the expiration of the base term of the Master Lease which is June 30, 2032, unless terminated earlier pursuant to the terms of this Sublease.

Option to Extend Term

Section 3.02 Sublessee shall have a one time option (the "Option") to extend the term of this Lease for an additional period of 10 years commencing upon expiration of the original term specified in Section 3.01 of this Sublease (the "Original Term") provided:

(a) Sublessor has exercised its option to extend the base term of the Master Lease for an additional 10 year period.

(b) Written notice of Sublessee's election to renew the term of this Sublease is delivered by Sublessee to Sublessor at least ninety (90) days before the expiration of the Original Term.

(c) The renewed term of this Sublease shall be subject to the same terms and conditions as are contained in this Sublease, except that the amount of rent payable under this Sublease for the renewed term shall be equal to the then fair market value of the Premises. As used herein, the term "Premises" shall not include the value of the building constructed by sublessee.

(d) In the event that Sublessor has its Master Lease with the county of Riverside extended past its original term, Sublessee shall be notified immediately in writing by Sublessor of such extension and shall be granted a further option to extend the term of this lease for an additional period equal to the term of the extension of the Master Lease. The amount payable under this extension shall be subject to the same terms and conditions as are contained in this Sublease, except that the amount of rent payable under this Sublease for the renewed term shall be equal to the then fair market value of the Premises and does not include the value of the

building.

Effect of Default on Options

Section 3.03

(a) Sublessee shall have no right to exercise the Option: (i) during the period commencing with the giving of any notice of Default (as defined in Section 9.01) and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Sublessee). (iii) during the time Sublessee is in Default. or (iv) in the event that Sublessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Sublessee's inability to exercise an Option because of the provisions of subparagraph (a).

(c) The Option shall terminate and be of no further force or effect, notwithstanding Sublessee's timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Sublessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Sublessor to give notice thereof), or (ii) if Sublessee becomes in Default under this Sublease and such Default is not cured within the earlier of (A) 15 days after notice thereof from Sublessor, or (B) the end of the Original Term.

Holding Over

Section 3.04 If Sublessee holds over and continues in possession of the Premises after termination of the term of this Sublease, including any extended term, Sublessee's continued occupancy of the Premises shall be deemed merely a tenancy from month to month at a monthly rate based on the fair market value of the Premises at that time, subject to all the terms and conditions of this Sublease, including the provisions for additional rent, but excluding the Option.

ARTICLE IV RENTS AND OTHER CHARGES

Fixed Rent

Section 4.01 Sublessee agrees to pay to Sublessor as base rent for the initial term of this Sublease, for the use and occupancy of the Premises, monthly payment of \$395.00 commencing upon receipt of the final inspection and notice of approval for occupancy from the County of Riverside. Other additional rent pursuant to this Sublease shall be paid by

Sublessee at the office of Sublessor at: P.O. Box 624, Fallbrook, CA 92028, or any other place or places that Sublessor may, from time to time, designate by written notice given to Sublessee.

Adjustment of Fixed Rent

Section 4.02 Beginning July 1, 2009 and each July 1st thereafter, the rent will be increased by the same percentage that the Lessee's rent to the County is increased as outlined in the Master Lease in Paragraph 5 (d) and 5 (e).

Taxes to be Paid by Sublessee

Section 4.03

(a) In addition to the base Rent specified in Section 4.01 of this Sublease, Sublessee shall pay all real property taxes (and general and special assessments) levied or assessed against the Premises during the term of this Sublease which taxes shall be estimated and be paid as a Common Area Cost as set forth herein below.

(b) Sublessee's obligation to pay all real property taxes including any possessory interest taxes (and general and special assessments) on the Premises shall also include the obligation to pay any increases in real property taxes (and general and special assessments), whether the increase results from an increase in the property tax rate and/or increase in the valuation of the Premises.

(c) If the Premises are assessed and taxed as part of a larger parcel of real property leased by Sublessor (referred to in this Sublease as the "Tax Parcel"), the amount payable under this Section by Sublessee, shall be the portion of the tax bill for the Tax Parcel that bears the same ratio of the total tax bill for the Tax Parcel as the value of the Premises bears to the value of the Tax Parcel, determined from the work sheets of the County Assessor for the County in which Premises is located or if the same is not available, by appraisal by an independent real estate appraiser selected by the parties. Since the term "Premises" excludes any improvements constructed by Sublessee, any increase in real property taxes resulting from any improvements built on the Premises by Sublessee shall be the sole obligation of Sublessee and shall be paid by Sublessee.

(d) The taxes and assessments levied against the Premises during the first and last years of the term of this Sublease shall be prorated between Sublessor and Sublessee for purposes of this Section as of 12:01 a.m. on the Commencement Date and termination respectively of this Sublease.

Common Area Costs

Section 4.04

(a) Sublessee shall pay to Sublessor a proportionate share of Common Area Costs (defined below). For each calendar year (or portion thereof in the case of the first and last year of the Lease) Sublessee's proportionate share of these costs shall be a sum equal to the product obtained by multiplying (1) the total Common Area Costs for such calendar year (or portion thereof in the case of the first and last year of the Lease) by (2) a fraction, the numerator of which is the approximate number of square feet of gross floor area of the Premises (4,500 sq. feet), and the denominator of which is a number of total square feet of gross floor areas in all hangars in the Project (88,000 sq. feet).

(b) Sublessee shall pay its proportionate share of Common Area Costs in the amount determined and billed by Sublessor on a monthly basis on the first day of each month of the term of the Sublease. The amount billed monthly shall be based on Sublessor's estimate of Common Area Costs for the current calendar year. That estimated amount of Common Area Costs for the Premises shall be \$25 per month starting on the Commencement Date. Within ninety (90) days after the end of each calendar year, Sublessor shall deliver to Sublessee an itemized statement of the Common Area Costs for the preceding calendar year. If the statement discloses an underpayment by Sublessee for the calendar year covered by the statement, Sublessee shall pay Sublessor the amount of the underpayment within thirty (30) days from the date of the statement, if the statement discloses an overpayment by Sublessee, Sublessor shall pay to Sublessee the amount of the overpayment within thirty (30) days from the date of the statement; provided, however, that if Sublessee is in Default or otherwise indebted to Sublessor under the Sublease, Sublessor may deduct the amount owed it from the overpayment.

(c) "Common Area Costs" means any and all costs and expenses of owning (including Sublessor's Ground Rent as adjusted from time to time, under the Master Lease) operating, running, managing, leasing and maintaining the Common Areas in a manner deemed reasonable and appropriate by Sublessor, including all costs and expenses of or relating to the following: repairing, cleaning, replacing, lighting, painting, and maintaining the Common Areas; security services for the Project; trash removal from the Project; the insurance described in Section 7.01 of this Sublease; repairing and replacing paved surfaces, landscaping, drainage, operation, and maintenance of the Project; and measures undertaken by Sublessor to comply with any environmental or similar law, ordinance, or regulation; and real property taxes and assessments attributable to the Premises, land and Common Areas: provided, however, Common Area Costs shall not include the items listed on Exhibit B attached hereto. These costs will also include any expenses incurred under Section 2.04, Cooperating with the County.

(d) Sublessee shall have the right, at its own cost and expense (except as provided below), to audit or inspect Sublessor's records with respect to Common Area Costs, as well as all other additional rent payable by Sublessee hereunder for any calendar year. Sublessee shall give

Sublessor not less than 30 days prior written notice of its intention to conduct any such audit. Sublessor shall cooperate with Sublessee during the course of such audit, which shall be conducted during normal business hours in Sublessor's offices at the Project. Sublessor agrees to make such records, personnel, copy machines and telephone available to Sublessee as is reasonably necessary for Sublessee or its agents, employees or audit consultants to conduct such audit. If such audit discloses that the amount paid by Sublessee as Common Area Costs, or of other additional rental payable by Sublessee hereunder, has been overstated by more than two percent (2%), then, in addition to immediately repaying such overpayment to Sublessee with interest at the rate of ten percent (10%), Sublessor shall also pay the reasonable costs incurred by Sublessee in connection with such audit.

Utilities

Section 4.05 Sublessee shall make all arrangements for and pay for all utilities and services furnished to or used by it, including, without limitation, gas, electricity, telephone service, water and for all connection charges which may be assessed against Sublessee relative thereto.

Security Deposit

Section 4.06

- (a) This sublease does not require any security deposit.

Late Charge

Section 4.07 Sublessee and Sublessor acknowledge that late payment by Sublessee to Sublessor of any Common Area Costs due hereunder will cause Sublessor to incur costs not contemplated by this Sublease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs may include, but are not limited to, processing and accounting charges and late charges that may be imposed upon Sublessor by the terms of any encumbrance and note secured by any encumbrance covering the Premises, Therefore, if any Common Area Costs due hereunder are not received from Sublessee by Sublessor within ten (10) days after notice from Sublessor the date upon which it became due, Sublessee shall pay to Sublessor an additional charge in an amount equal to five percent (5%) of the amount then due, which sum shall be immediately due and payable without demand. Additionally, if any monthly payment of increased rent or common area costs are paid by Sublessee in the form of personal check, bank check, or otherwise, and such check is returned for insufficient funds or any reason whatsoever, Sublessee shall immediately pay to Sublessor the monthly amount and any applicable late charges then due, together with the additional sum of seventy-five dollars (\$75.00), and such payment, to include all monthly and any other payments called for by the herein Sublease, shall thereafter be paid by Sublessee to Sublessor by way of cashier's check and/or money order. The parties hereto agree that the late charge above stated represents a fair and reasonable estimate of the costs that Sublessor will incur by reason of such untimely payment by Sublessee. Acceptance of any such charge shall not constitute a waiver of Sublessee's default with respect to the

monthly rent then due, nor will such acceptance prevent Sublessor from exercising any of the rights and remedies available to Sublessor. Further, the existence of the herein provisions in this Sublease shall not extend the time within which Sublessee is required to make monthly payments of rent or common area costs hereunder, and the failure to pay monthly rent or common area costs hereunder when due shall be a default under the terms of this Sublease, effective the date that the monthly payment originally became due and without extension.

ARTICLE V MAINTENANCE AND USE OF COMMON AREAS

Maintenance and Control

Section 5.01 All Common Areas (as defined in Section 5.02 of this Lease) of the Project are subject to the exclusive control of Sublessor. Sublessor shall construct, maintain, operate, illuminate and manage the Common Areas in a manner determined appropriate by Sublessor in its sole discretion.

"Common Areas" Defined

Section 5.02 "Common Areas" means all areas, facilities, space, equipment and signs made available by Sublessor at any time for the common and joint use and benefit of Sublessor and Sublessee and other tenants and occupants of the Project, including their respective employees, agents, and invitees. "Common Areas" includes the following, to the extent provided by Sublessor: parking areas, driveways, access roads, landscaped areas, aircraft service ways, sidewalks, paved areas between hangar rows and paved areas that allow for the transition from a hangar to the ramp area as designated and maintained by the County in providing access to taxiways and runways.

ARTICLE VI ALTERATIONS, MAINTENANCE AND REPAIRS

Conditions of Premises

Section 6.01 Sublessee has inspected the Premises and accepts it in its "AS IS" condition.

Section 6.02 No alteration, addition, or improvement to the Premises shall be made by Sublessee without the prior written consent of Sublessor and Master Lessor. Said consent shall not be unreasonably withheld. Concurrently with requesting Sublessor's consent to the proposed alteration, addition or improvement, Sublessee shall submit to Sublessor preliminary plans for the alteration, addition, or improvement. Sublessor shall, in its reasonable discretion, approve or disapprove of the proposed alteration, addition, or improvement, within thirty (30) days after its receipt of Sublessee's written request for approval. Sublessee shall obtain all necessary governmental permits required for any alteration, addition, or improvement approved by Sublessor and shall comply with all applicable governmental law, regulation, ordinances, and codes. Any alteration, addition, or improvement made by Sublessee after consent has been given,

and any fixtures installed as part of the construction, shall, at Sublessor's option, become the property of Sublessor on the expiration or earlier termination of this Sublease; provided, however, Sublessor shall have the right to require Sublessee to remove the fixtures at Sublessee's cost on termination of this Sublease if Sublessor has provided notice of the same to Sublessee at the time of Sublessor's consent. If Sublessee is required by Sublessor to remove the fixtures on termination of this Sublease, Sublessee shall repair and restore any damages to the Premises caused by such removal.

Maintenance and Repairs by Sublessee

Section 6.03. Not used

Sublessee's Maintenance and Repairs

Section 6.04 Except as provided in Section 6.03, Sublessee, at its sole cost and expense, shall maintain in good condition, both the exterior and interior portions of all improvements to the premises, including, without limitation, Sublessee's personal property.

Rules and Regulations

Section 6.05 Sublessor shall have the right to establish, modify, amend, and enforce reasonable rules and regulations with respect to the common areas, Sublessee shall fully and faithfully comply with and observe the rules and regulations for the common areas. Sublessee acknowledges receipt of a copy of the rules and regulations, which are attached hereto and made a part of this Sublease as Exhibit "B". Sublessee further acknowledges receipt of a copy of the Minimum Standards for Fixed Base Operations, Riverside County Airports, Adopted January 30, 2001, a true and correct copy of which is attached hereto, incorporated herein as Exhibit "C". Sublessor shall not be liable in any way for failure of any other Sublessee of the Project including any other occupant of a hangar to comply with and observe these rules and regulations.

ARTICLE VII INSURANCE

Indemnity and Insurance

Section 7.01 Waiver. This Sublease is made upon the express condition that Sublessee hereby waives all claims against Sublessor and County for damages to property or for injuries or death to any person or persons from any cause except for any injuries resulting from any intentional acts or gross negligence of Sublessor.

Section 7.02 Indemnity. Sublessee hereby agrees to and shall indemnify and defend Sublessor and County against and hold Sublessor and County harmless from any and all claims,

demands, actions, damages, liability and expense in connection with or for loss of or damage to property or injury or death to any person from any cause whatsoever while in, upon, or about the Premises or any such claims, demands or the like, arising from or out of any occurrence in, upon or at the Premises from or in connection with the occupancy or use by Sublessee of the Premises or any use of any portion of the Real Property or from or in connection with the business conducted by Sublessee in or on the Premises or occasioned wholly or in part by any act or omission of Sublessee, its agents, contractors, employees, licensees or guests.

Section 7.03 Insurance. Sublessee shall procure and maintain or cause to be maintained, at its sole cost and expense, the insurance coverages identified herein during the term of this Sublease. The procurement and maintenance of the insurance required below will not diminish or limit sublessee's obligation to indemnify or hold the County harmless.

(a) Workers' Compensation. If Sublessee has employees as defined by the State of California, Sublessee shall maintain Workers' Compensation Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers' Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per person per accident. Policy shall be endorsed to provide a Waiver of Subrogation in favor of the Sublessee and the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives.

(b) Airport General Liability. Airport General Liability Insurance coverage including, but not limited to, premises liability, contractual liability, products and completed operations, independent contractors liability, contingent liability, and personal and advertising injury covering claims which may arise from or out of Sublessee's activities and/or its performance of/or its obligations hereunder. Policy shall name the Sublessor and the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional Insureds. Policy's limit of liability shall not be less than \$3,000,000 per occurrence combined single limit and \$300,000 in the aggregate. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit. Such insurance will include Medical Payment for a limit of \$5,000 and Fire Legal Liability for a limit of \$300,000.

(c) Vehicle Liability. If vehicles and/or licensed or unlicensed mobile equipment are used in the performance of the obligations under this Sublease and driven on the airport premises, then Sublessee shall maintain liability insurance for all owned, non-owned or hired vehicles and/or licensed or unlicensed mobile equipment so used in an amount not less than \$1,000,000 per occurrence combined single limit. If the vehicle coverage contains an exclusion for claims arising from vehicle operations on an airport's premises, such exclusion shall be deleted by endorsement. The policy shall name the Sublessor and the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives. This coverage may be included in the airport General Liability policy. An application for an Airport

Gate Card must be accompanied by proof of such insurance.

(d) Aircraft Hull and Liability Insurance. Aircraft hull coverage for all aircraft owned by Sublessee insured on a replacement value basis, or, at a minimum, on an agreed value basis, including all equipment and contents thereof. Sublessee may elect to self-insure the hull, equipment and contents of Sublessee's owned aircraft providing Lessee submits to County a letter, signed by the owner, stating that the owner has elected to self-insure the aircraft hull, equipment and contents and agrees to indemnify and hold harmless the Sublessor and the County of Riverside for any incidents, accidents or events that may give rise to a claim or lawsuit from any cause or nature whatsoever regardless of any negligence of the County that may have contributed to said loss or damage.

Sublessee shall also provide aircraft Liability Insurance for all owned and non-owned aircraft operated by the Sublessee in an amount not less than \$1,000,000 combined single limit per occurrence for bodily injury, including death and property damage and coverage shall include, but is not limited to, products/completed operations and contractual liability. The policy will be endorsed to include the Sublessor and the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional, Insureds.

(e) Products Liability Insurance. If Sublessee provides aircraft maintenance, aircraft repair services, aircraft fueling and/or oil services/products or any other similar products or services under the terms of this Sublease, Sublessee shall also provide Products Liability Insurance including completed operations if not otherwise covered by the Airport General Liability policy in an amount not less than \$2,000,000 any one occurrence combined single limit and in the annual aggregate.

(f) Hangars Keepers Liability Insurance (Ground Coverage). If this coverage is applicable to the Sublessee's operations and is not included as part of the airport General Liability coverage, Sublessee shall provide Ground Hangar Keepers Liability Insurance providing coverage for damage or destruction of aircraft, owned by others, in the Sublessee's care, custody or control for the purpose of sale, storage, safekeeping or any other reason. Lessee shall maintain a limit of liability equal to the combined replacement cost value of all aircraft hulls, their equipment and contents, in the care, custody or control of the Lessee at any one time, but in no event shall the limit of liability be less than \$1,000,000 in the Aggregate.

(g) Hangars Keepers Liability Insurance (Flight Coverage). If this coverage is applicable to the Sublessee's operations and is not included as part of the airport General Liability coverage, Sublessee shall provide Hangar Keepers Liability Insurance providing coverage for aircraft in the care, custody or control of the Sublessee, with a limit equal to the replacement value of the highest valued hull that may be flight tested by the sublessee; however, in no event shall the limit of liability be less than \$1,000,000.

(h) Property (Physical Damage):

(1) All-risk property insurance covering all real and personal property for

its full replacement value, including coverage for the perils of earthquake and flood if applicable. The property covered shall include, but not be limited to: buildings, structures, furniture and fixtures, equipment, inventory, tenant's improvements and betterments, and tools, electronic systems, etc. that the sublessee owns and all property that the Sublessee is contractually or otherwise responsible for while such property is on the Leased Premises. Policy shall include Business Interruption, Extra Expense, and Expediting Expense to cover the actual loss of business income sustained during the restoration period. Policy shall name the County of Riverside as a Loss Payee and provide a Waiver of Subrogation in favor of the County of Riverside.

(2) Boiler & Machinery insurance on a full replacement cost basis covering all real and personal property owned by the Sublessee or for which the Sublessee is responsible for, while such property is on the Leased Premises. Policy shall provide Business Interruption, Extra Expense, and Expediting Expense coverage as well as coverage for loss resulting from an off-premises power failure. Policy shall name the County of Riverside as a Loss Payee and contain a Waiver of Subrogation in favor of the County of Riverside

(i) General Insurance Provisions - All Lines:

(1) Any insurance carrier providing insurance coverage hereunder shall have an A.M. BEST rating of not less than an A: VIII (A:8) and be admitted to the State of California, unless such requirement(s) are waived by the County Risk Manager.

(2) Insurance deductibles or self-insured retentions of \$500,000 or more must be declared by the Sublessee, and such deductibles and retentions shall have the prior consent of the County Risk Manager. Upon notification of deductibles or self-insured retentions unacceptable to the County, and at the election of the County's Risk Manager, Sublessee's carriers shall either: (a) reduce or eliminate such deductibles or self-insured retentions as respects this Lease with the County; or (b) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

(3) Cause Sublessee's insurance carrier(s) to furnish the County of Riverside with either (a) a properly executed original Certificate(s) of Insurance and certified original copies of Endorsements affecting coverage as required herein; or (b) if requested to do so in writing in the County Risk Manager, provide original Certified copies of policies including all Endorsements and all attachments thereto, showing such insurance is in full force and effect. Further, said Certificate(s) and policies of insurance shall contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to the County of Riverside prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. In the event of a material modification, cancellation, expiration, or reduction in coverage, this Sublease shall terminate forthwith, unless the Sublessor and the County of Riverside receive, prior to such effective date, another properly executed original Certificate of Insurance and original copies of endorsements or, if requested, certified original policies, including all endorsements and attachments thereto evidencing coverages set forth herein and the insurance required herein is in full force and effect. Sublessee shall not commence operations until the County of Riverside has been furnished original Certificate(s) of Insurance and certified original

copies of endorsements or, if requested, policies of insurance including all endorsements and any and all other attachments as required in this Section. An individual authorized by the insurance carrier to do so on its behalf shall sign the original endorsements for each policy and the Certificate of Insurance.

(4) It is understood and agreed to by the parties hereto and the insurance company(s), that the Certificate(s) of Insurance and policies shall so covenant and shall be construed as primary insurance, and the County's insurance and/or deductibles and/or self-insured retentions or self-insured programs shall not be construed as contributory.

(5) The County of Riverside's Reserved Rights - Insurance. If during the term of this Lease or any extension thereof there is a material change in the scope of services or performance of work of the Sublessee, the County of Riverside reserves the right to adjust the types of insurance required under this Lease and the monetary limits of liability for the insurance coverages currently required herein, if, in the Assistant County Executive Officer/EDA's reasonable judgment, upon advice of the County Risk Manager, the amount or type of insurance carried by the Sublessee has become inadequate. The Sublessee agrees to notify the Sublessor and the County of any plan or change of plan for the sublessee's operations and such notification shall occur prior to implementing any such change.

Section 7.04 Other Insurance Requirements. All policies shall name Sublessor, and the County as an additional insured and Sublessee shall obtain separate endorsements on the coverage identified herein for the benefit of the Sublessor and the County. Insurance shall be with a company or companies satisfactory to Sublessor and the County in the amounts of not less than that specified herein or in minimum amounts as may be subsequently adjusted by Sublessor or the County in the exercise of their commercial business judgment and consistent with airport industry practice for similar kinds of activities. Sublessee shall at all times during the term of this Sublease, including any extension or renewal hereof, provide Sublessor and the County with a certificate from the insurance carrier or carriers insuring Sublessee as set forth therein. Insurance policies shall not be subject to cancellation except after notice to Sublessor and the County by registered mail at least thirty (30) days prior to such cancellation. Where policies have normal expirations during the term of this Sublease or any extension thereof written evidence of renewal shall be furnished to Sublessor and the County thirty (30) days prior to such expiration.

Section 7.05. Destruction of Premises. If any improvement constructed on the Premises or the Project which is owned and constructed by Sublessee is damaged or destroyed by any cause not the fault of Sublessor, Sublessee shall, at Sublessee's sole cost and expense, promptly repair it. Said damage or destruction as set forth herein shall not abate the rent due Sublessor under the sublease even though Sublessee may be prevented from occupying the Premises in its entirety.

ARTICLE VIII SUBORDINATION AND ESTOPPEL CERTIFICATES

Subordination

Section 8.01

(a) This Sublease shall be subordinate to the lien of all mortgages and deeds of trust, which are hereafter placed and recorded on the Project by Sublessor to secure any financing for the Project and other improvements that might be constructed by Sublessor on the Project.

(b) The subordination provided for under this Section is conditioned on and subject to the following:

(i) For each mortgage or deed of trust, Sublessor shall obtain from the mortgagee or beneficiary an agreement ("Non-disturbance Agreement") in writing that, in the event of foreclosure, or any sale thereunder, this Sublease shall not be terminated and Sublessee's right to possession under this Sublease shall not be disturbed, provided Sublessee has not been in default under the Sublease;

(ii) In consideration of the Non-disturbance Agreement described in subsection (i), Sublessee hereby agrees to attorn to the purchaser at any foreclosure, sale, or other action or proceeding. The subordination described in this Section shall be effective without the necessity of having any further instruments executed by Sublessee, but Sublessee agrees to execute on demand any such further instruments evidencing subordination that Sublessor or any mortgagee or beneficiary may reasonably request.

(c) In addition, Sublessor shall obtain a Non-disturbance Agreement from the Master Lessor for the benefit of the Sublessee.

Estoppel Certificates

Section 8.02. Sublessee agrees to execute in recordable form, and deliver to Sublessor or any lender, when requested by Sublessor or lender, an Estoppel Certificate regarding the status of this Sublease. This certificate shall contain, at a minimum, the following: (1) a statement that the Sublease is in full force and effect with no modifications or a statement that the Sublease is in full force and effect as modified, together with a description of the modifications; (2) the commencement date and the expiration date of this Sublease; (3) the amount of advance rent, if any, paid by Sublessee, and the date to which the rent has been paid; the amount of any security deposit deposited with Sublessor; (4) a statement indicating whether or not Sublessor is, in Sublessee's good faith opinion, in default under any of the terms of this Sublease, and if so, a description of the alleged default and of any defenses or offsets claimed by Sublessee, and; (6) any other information reasonably required by Sublessor or lender. Such certificate shall be delivered to the requesting party not later than fifteen (15) days after the date of written request

therefor. Sublessee's failure to deliver the certificate within the foregoing time period shall constitute an acknowledgment by the Sublessee that this Sublease has not been assigned or modified and that it is in full force and effect and that all rent payable has been fully paid up to the date of the Sublessor's or lender's request for the statement.

ARTICLE IX DEFAULT AND TERMINATION

Acts Constituting Default by Sublessee

Section 9.01 Sublessee shall be in default under this Sublease only if one or more of the following occurs and is continuing (each, a "Default"):

(a) The nonpayment of rent, common area costs or other monetary charges hereunder, when due, when the nonpayment continues for thirty (30) days after written notice to pay rent or Common Area Costs hereunder have been given by Sublessor to Sublessee;

(b) A failure to perform any provision, covenant, or condition of this Sublease other than one for the payment of rent or common area costs, when the failure is not cured within sixty (60) days after written notice of the specific failure is given by Sublessor to Sublessee; provided that if such failure cannot reasonably be cured within such sixty (60) day period and Sublessee shall have commenced to cure such failure within such sixty (60) day period and thereafter diligently and expeditiously proceeds to cure the same, such sixty (60) day period shall be extended for so long as it shall require Sublessee in the exercise of due diligence to cure such failure;

(c) A receiver is appointed to take possession of all or substantially all of Sublessee's property located at the Premises or Sublessee's interest in this Sublease, when possession is not restored to Sublessee within ninety (90) days:

(d) Sublessee makes a general assignment for the benefit of creditors;

(e) The execution, attachment or other judicial seizure of a substantial portion or all of Sublessee's assets located at the Premises or of Sublessee's interest in this Sublease, when the seizure is not discharged within sixty (60) days; or

(f) The filing by or against Sublessee of a petition to have Sublessee adjudged a bankrupt or for a petition for reorganization or arrangement under the Federal Bankruptcy Law (unless, in the case of a petition filed against Sublessee, it is not dismissed within seventy-five (75) days).

Sublessor's Remedies

Section 9.02. If Sublessee breaches or is in default under this Sublease pursuant to Section 9.01, Sublessor, in addition to any other remedies given Sublessor by law or equity, may:

(a) Continue this Sublease in effect by not terminating Sublessee's right to possession of the Premises and thereby be entitled to enforce all of Sublessor's rights and remedies under this Sublease including the right to recover the rent and common area costs specified in Sections 4.03 and 4.04 of this Sublease as it becomes due under this Sublease; or

(b) Terminate this Sublease and all rights of Sublessee under the Sublease and recover from Sublessee:

(i) The worth at the time of the award the unpaid rent or common area costs that had been earned at the time of termination of the Sublease;

(ii) The worth at the time of the award the amount by which the unpaid rent and common area costs for the balance of the term after the time of award exceeds the amount of rental loss and common area costs that Sublessee proves could be reasonably avoided; or

(iii) In lieu of or in addition to, bringing an action for any or all of the recoveries described in paragraph (b) of this paragraph, bring an action to recover and gain possession of the Premises in the manner provided by the California Law of Unlawful Detainer then in effect.

Termination Notice

Section 9.03 No act of Sublessor, including but not limited to Sublessor's entry of the Premises or efforts to relet the Premises, or the giving of Sublessor to Sublessee of a notice of default, shall be construed as an election to terminate this Sublease unless a written notice of Sublessor's election to terminate this Sublease is given to Sublessee.

Waiver of Breach

Section 9.04 The waiver by either party of any breach of any of the provisions of this Sublease by the other party shall not constitute a continuing waiver or a waiver of any subsequent default or breach by the other party either of the same or of a different provision of this Sublease.

Section 9.05 If either party breaches its obligations under this Sublease and that party fails to cure such breach within sixty (60) days after receipt of written notice sent by the non-breaching party of such breach and request to cure, that non-breaching party shall have the right to terminate this Sublease.

ARTICLE X MISCELLANEOUS PROVISIONS

Notices

Section 10.01 Except as otherwise expressly provided by law, any and all notices or other communications required are permitted by this Sublease or by law to be served on or given to either party to this Sublease by the other party be in writing, and shall be deemed duly served and given when personally delivered to the party to whom it is directed or any managing employee of that party or, in lieu of personal service, when deposited in the United States mail, first class postage prepaid, addressed to Sublessor at: P.O. Box,624, Fallbrook, CA 92028 or to Sublessee at the address set forth below his signature at the end of this Sublease. Either party may change its address for purposes of this paragraph by giving written notice of the change to the other party in the manner provided in this paragraph.

Inspection by Sublessor

Section 10.02. Upon reasonable notice from Sublessor, Sublessee shall permit Sublessor or Sublessor's agents, representatives, or employees to enter the Premises at all reasonable times for the purpose of inspecting the Premises to determine whether Sublessee is complying with the terms of this Sublease and for purposes of doing other lawful acts that may be necessary to protect Sublessor's interest in the Premises under this Sublease.

Assignment or Sublease

Section 10.03. Sublessee may not assign all or any part of Sublessee's interest in this Sublease without first obtaining the prior written consent of Sublessor to do so and obtaining the prior written consent of the County of Riverside pursuant to the terms of the Master Lease. Any such assignment or subletting shall not relieve Sublessee of its prior obligations under this Sublease. Neither the County of Riverside nor Sublessor shall unreasonably withhold consent to such an assignment or subletting. Neither the County of Riverside nor Sublessor's consent to one assignment or subletting shall be deemed a consent to any subsequent assignment or subletting. Any assignment or subletting without the prior written consent of Sublessor or the County of Riverside shall be void and shall, at the option of Sublessor, terminate this Sublease.

Binding on Heirs and Successors

Section 10.04. This Sublease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties, but nothing in this paragraph shall be construed as a consent by Sublessor to any assignment of this Sublease or any interest therein by Sublessee.

Time of the Essence

Section 10.05. Time is expressly declared to be of the essence in this Sublease.

Sole and Only Agreement

Section 10.06. This instrument and its exhibits constitutes the sole and only agreement

between Sublessor and Sublessee respecting the Premises or the leasing of the Premises to Sublessee, and correctly sets forth the obligations of Sublessor and Sublessee to each other as of its date. Any agreements or representations respecting the Premises or its leasing by Sublessor to Sublessee not expressly set forth in this Sublease are null and void.

Attorneys Fees

Section 10.07. If any Party brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Sublessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations. in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$350.00 is a reasonable minimum per occurrence for such services and consultation).

Waiver of Jury Trial

Section 10.08 THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PREMISES OR ARISING OUT OF THIS SUBLEASE.

ARTICLE XI CONDEMNATION

If all or a material portion of the Premises is taken by any lawful authority by exercise of the right of eminent domain, or sold to prevent a taking, either Sublessee or Sublessor may terminate this Lease effective as of the earlier of (i) the date possession is required to be surrendered to the authority, or (ii) the date actual possession is delivered to the authority. In the event of a taking or sale to prevent a taking, Sublessee shall be entitled to the entire amount of the condemnation award or sales proceeds with respect to any buildings it may have constructed on the leased Premises.

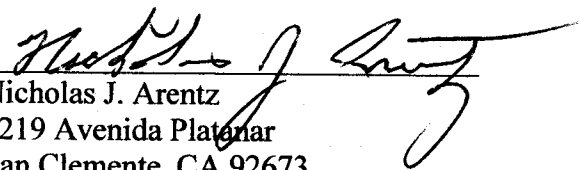
Executed on August 9, 2008 at Murrieta, California

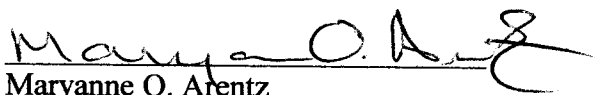
SUBLESSOR
FRENCH VALLEY HANGARS, LLC

by 
Mike Amos, Managing Member

by 
Phil Roy, Managing Member

SUBLESSEE
NICHOLAS J. ARENTZ AND MARYANNE O. ARENTZ

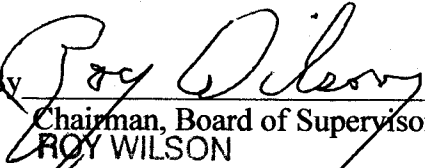
by 
Nicholas J. Arentz
2219 Avenida Platanar
San Clemente, CA 92673

by 
Maryanne O. Arentz
2219 Avenida Platanar
San Clemente, CA 92673

[see next page for Riverside County Approval]

The County of Riverside hereby consents to the foregoing Sublease.

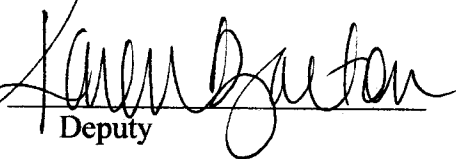
COUNTY OF RIVERSIDE

By 
Chairman, Board of Supervisors
ROY WILSON

Date OCT 21 2008

ATTEST:


NANCY ROMERO, Clerk of the Board

By 
Deputy

Date OCT 21 2008

FORM APPROVED

JOE S. RANK, County Counsel

By 
Deputy

Date 9/29/08

EXHIBIT B

Exclusions from Common Area Costs

Notwithstanding anything in the Sublease to the contrary, Common Area Costs shall not include the following (and the provisions of this Exhibit B shall control over any contrary or conflicting provision of the Sublease):

- (1) Costs of capital improvements and alterations made by Sublessee, except for capital improvements and alterations made by the Sublessor which also improve the structures or hangars built by Sublessee. (The expenses of any capital improvements made by Sublessor not structurally integrated into the structures or hangars built by Sublessee shall not be considered to be Common Area Costs).
- (2) Depreciation, amortization and interest payments, all as determined in accordance with generally accepted accounting principles, consistently applied.
- (3) Marketing costs including leasing commissions, attorney's fees and other consultant fees in connection with the negotiation and preparation of leases and related agreements.
- (4) Expenses in connection with services or other benefits which are not offered to Sublessee or for which Sublessee is charged directly by Sublessor or an independent contractor or a utility, but which are provided to another tenant or occupant of the Project the cost of which is included as Common Area Costs.
- (5) Expenses incurred by Sublessor due to the violation by Sublessor or any tenant of the terms and conditions of any lease of space in the Project and penalties or fines incurred as a result of Sublessor's negligence, inability or unwillingness to make payments and/or to file any tax or informational returns when due.
- (6) Overhead and profit increment paid to Sublessor or to subsidiaries or affiliates of Sublessor for goods and/or services in the Project to the extent the overhead and profit increment exceeds the cost of such goods and/or services rendered by unaffiliated third parties on a competitive basis for similar projects.
- (7) Sublessor's general company overhead and general and administrative expenses and costs associated with the operation of the business of the Sublessor entity, including LLC accounting and legal matters, and any compensation paid to clerks, attendants or other persons in commercial concessions operated by or through landlord.
- (8) Expenses incurred in connection with modifying the project to comply with handicap, life, fire and safety and any other laws and codes in effect on or prior to the Commencement Date.

- (9) Costs arising from the presence of hazardous or toxic wastes or substances in or about the Project (unless caused by Sublessee or his agents, employees, contractors, guests or permittees), and costs arising from defects in the structure of the building (or improvements thereto) at the project installed by Landlord or repair thereof.
- (10) Any bad debt loss, rent loss or reserves of any kind.
- (11) Wages and benefits of any employee who does not devote substantially all of his or her employed time to the Project unless such wages and benefits are prorated to reflect time spent on operating and managing the project vis-à-vis time spent on matters unrelated to operating and managing the Project, and in no event any wages or benefits attributable to personnel above the level of Project manager.
- (12) Costs arising from the negligence or willful misconduct of Sublessor or its agents, employees or contractors.
- (13) Management fees in excess of customary amounts for other similar airports in southern California.
- (14) Any expenses paid by any tenant directly to third parties or as to which Sublessor is otherwise reimbursed by any third party or by insurance proceeds.
- (15) Any brokerage fees.

Sublessor shall not collect or be entitled to collect Common Area Costs from its tenants in an amount which is in excess of 100% of the Common Area Costs actually paid by Sublessor in connection with the operation of the Project (inclusive of any management fee whether paid to Sublessor or a third party) and Sublessor will not "double recover" any Common area costs.

SUBLESSOR
FRENCH VALLEY HANGARS, LLC

WBA [initials]

SUBLESSEE
NICHOLAS J. ARENTZ AND MARYANNE O. ARENTZ NJA, MOA [initials]

LEASE

French Valley Airport

The COUNTY OF RIVERSIDE, herein called County, leases to French Valley Hangars, LLC, a California Limited Liability Company, herein called Lessee, the property described below under the following terms and conditions:

1. Recitals.

(a) County owns approximately 3.5 acres of vacant land at the French Valley Airport, County of Riverside, California.

(b) County desires to lease said property to Lessee for the construction of aircraft hangars and self-fueling facilities.

(c) Lessee desires to lease said property from the County, for the construction of aircraft hangars and self-fueling facilities aviation related buildings.

2. Description. The premises leased hereby are located within the French Valley Airport, County of Riverside, California, and consist of approximately 152,500 square feet of vacant land, being legally described in Exhibit "A," attached hereto and incorporated by reference herein. Said property is hereafter referred to as the "Leased Premises."

3. Term. This lease shall commence the first day of the month following execution by all parties thereto and terminate thirty (30) years thereafter, term of thirty (30) years.

(a) Any holding over by the Lessee after the expiration of this Lease shall be on a day-to-day basis strictly, and continuing tenancy rights shall not accrue to the Lessee.

(b) With respect to the Leased Premises and subject to the provisions of paragraphs 5, 8, 10, 16, and 17 hereof, and provided that the Lessee, at the time of exercising of the option, is in full compliance with the terms of this Lease, the Lessee shall have the option to extend this Lease for a period of ten (10) years.

1 4. Use.

2 (a) The Leased Premises is leased hereby for the following purposes:

3 (1) Providing aircraft storage inside hangar buildings;

4 (2) Providing aircraft self-fueling facilities and any other service
5 usually associated with aircraft self-fueling servicing
6 operations;

7 (b) The leased premises shall not be used for any purpose other than
8 in paragraph 4 (a) without first obtaining the written consent of County, which consent
9 shall not be unreasonably withheld.

10 5. Rent.

11 (a) Commencing after the construction rate reduction period, as
12 referred to below in 5b, Lessee shall pay to Lessor as base rent for the use and
13 occupancy of the Leased Premises, monthly rent equal to two thousand six hundred
14 twenty five dollars (\$2,625.00). Said rent is due and payable in advance on the first of
15 each month.

16 (b) During construction of the leased premises, Lessee shall pay a
17 monthly rent equal to \$ 1,312.50 per month, commencing with lease execution and
18 continuing until completion of construction or within twelve (12) months of lease
19 execution, whichever occurs first.

20 (c) In addition to the basic rent required herein, Lessee shall pay to
21 the County a fuel flowage fee or cause such fee to be paid to County as hereinafter
22 provided, in an amount equal to five percent (5%) of the total net price paid by Lessee
23 for all aviation and automotive fuel and lubricants received on the leased premises by
24 Lessee. The term "total net price" shall mean the net price per unit of such fuel and
25 lubricants, excluding taxes, shipping, and other related costs imposed thereon by any
26 government or agency thereof, multiplied by the total number of units of such fuel and
27 lubricants received. Lessee reserves the right of selecting its own fuel and lubricant
28 suppliers, and Lessee's agreement with any such suppliers may contain a provision

1 therein obligating such suppliers to submit a duplicate invoice for any fuel and lubricant
2 deliveries made to Lessee within thirty (30) days following each such delivery, and such
3 agreement may contain a provision therein obligating such suppliers to submit payment
4 to County in connection therewith. Such invoice shall indicate the type of products
5 delivered, the date of delivery, the quantity delivered, the per-unit cost and the total
6 extended cost, and the invoice number. In the event such agreement does not contain
7 a provision for either submission of invoices or payment to County, Lessee shall be
8 obligated to submit such invoice or payments to County, or both if applicable. In the
9 event such agreement contains such provisions and the supplier fails, or refuses, to
10 properly and timely submit any invoices to County, or submit any payments if required
11 to do so, Lessee, upon County's written request, shall make a separate accounting of
12 such fuel and lubricant deliveries or submit payment to County in connection therewith,
13 or both. Notwithstanding provisions of this Paragraph 5 (c), upon written request from
14 County, Lessee shall make a separate accounting of such fuel and lubricant deliveries.

15 (d) Beginning July 1, 2005, and every fifth (5th) year thereafter, the
16 basic monthly rent shall be one-twelfth (1/12) of eight percent (8%) of the appraised fair
17 market land value, excluding Lessee's improvements. A property appraisal for this
18 purpose is to be performed by an independent certified appraiser, mutually acceptable
19 to County and Lessee, knowledgeable in aviation appraising, in good standing with the
20 American Institute of Real Estate Appraisers and to be procured by the County. Once
21 established, said land rent shall be adjusted annually in the manner set forth in
22 Paragraph 5 (e) below.

23 (e) Consumer Price Index. Beginning July 1, 2003 and at each July
24 1st thereafter, except for dates coinciding with the appraisals conducted every fifth year
25 as referenced in 5(d) above, the rent shall be adjusted by the percentage change, in
26 the CPI, All Urban Consumers, LA-Anaheim Area for the twelve month period ending
27 two months before the month of rent adjustment under this paragraph. In no event will
28

1 application of this paragraph result in a monthly rental amount lower than the most
2 previous monthly rental amount.

3 6. Additional Obligations of Lessee. Lessee shall, during the term of this
4 Lease and any extensions thereof:

5 (a) Observe and obey, and compel its employees, agents, invitees
6 and those doing business with it to observe and obey all such rules and regulations of
7 County which are now in effect or which may hereafter be promulgated; provided that
8 such rules and regulations may not unduly interfere or conflict with the rights and
9 privileges granted to Lessee in this amendment or any later amendments.

10 (b) Employ and maintain on the leased premises sufficient personnel
11 who are trained and skilled in order to competently perform the tasks related to the
12 services being offered.

13 (c) Operate the leased premises and perform services for the use and
14 benefit of the general public without discrimination on the grounds of race, religion,
15 color or national origin or in any manner prohibited by Part 15 of the Federal Aviation
16 Administration Regulations.

17 (d) Operate the leased premises and the facilities thereon in a
18 progressive and efficient manner, charging fair and reasonable prices for each unit or
19 service, said prices being competitive with prices charged by other fixed based
20 operators in the Southern California area. Upon request from County, Lessee shall
21 furnish County with a schedule of all prices for each unit or service offered for sale or
22 lease to the general public.

23 (e) Provide janitorial services at its' own expense.

24 (f) Not engage in the painting of aircraft (other than small "spot
25 painting" jobs in connection with repairs) within any buildings unless, or until, it has
26 established therein a regular paint shop which is adequately enclosed and vented, and
27 has been inspected and approved, in writing, by representatives of the Federal Aviation
28

1 Administration and County's Fire and Building and Safety Departments, and all
2 applicable permits have been obtained.

3 (g) Provide aviation fuel for sale to the general public, unless Lessee
4 is precluded from providing such fuel and lubricants due to causes beyond its control
5 relating to its suppliers' fuel shortages, work stoppages (excluding Lessee's
6 employment force), acts of God, acts of war, civil disorders or other similar acts.

7 (h) The Lessee shall observe the Taxiway Object Free Area adjacent
8 to their leasehold to allow the passage of taxiing aircraft. The Taxiway Object Free
9 Area boundary for Taxiway A is one hundred ten (108) feet from the center line of the
10 taxiway.

11 7. Permits, Licenses and Taxes. Lessee shall secure, at its expense, all
12 necessary permits and licenses as it may be required to obtain, and Lessee shall pay
13 all fees and taxes levied or required by any authorized public entity. Lessee recognizes
14 and understands that this lease may create a possessory interest subject to property
15 taxation and that Lessee may be subject to the payment of property taxes levied on
16 such interest.

17 8. On-Site Improvements.

18 (a) Lessee, at its expense, shall construct, or cause to be constructed
19 the following improvements:

20 (1) Within two months of lease execution, Lessee shall submit a
21 plot plan to the Economic Development Agency showing the location and dimensions
22 of all planned improvements. Upon approval of the layout by the Economic
23 Development Agency, Lessee shall submit to the County for building permits.
24 Construction of said improvements shall commence within one (1) month following
25 issuance of the requisite permits by the County. The site may be developed in phases
26 subject to the approval of the Economic Development Agency, provided that all
27 construction is completed within two (2) years of lease execution. Lessee shall obtain
28 performance, material and labor payment bonds or a County approved Irrevocable

1 Letter of Credit in the amounts required by law and determined by County and shall
2 furnish County with copies thereof prior to the commencement of such construction.

3 (b) All improvements to be at lessees sole cost. Lessee shall pay for
4 construction of any required utility extensions and hookups and any access road
5 improvements. Lessee shall pay for all drainage improvements required to comply with
6 French Valley Airport Master Drainage Plan. This Lease is subject to the provisions set
7 forth in Exhibit "D", attached hereto and by this reference made apart of this Lease. All
8 improvements to be submitted to County for approval prior to start of any construction.

9 (c) Any improvements, alterations and installation of fixtures, to be
10 undertaken by Lessee, shall have the prior written approval of the Economic
11 Development Agency after Lessee has submitted to County proposed plot and building
12 plans, and specifications therefore, in writing. In addition, Lessee understands and
13 agrees that such improvements, alterations and installation of fixtures may be subject
14 to County Ordinance Nos. 348 and 457, as well as other applicable County ordinances,
15 and that Lessee shall fully comply with such ordinances prior to the commencement of
16 any construction in connection therewith.

17 (e) All improvements, alterations and fixtures, shall remain or become
18 as the case may be, the property of County with the exception of trade fixtures as that
19 term is used in Section 1019 of the Civil Code; provided, however, that Lessee shall
20 have the full and exclusive use and enjoyment of such improvements, alterations and
21 fixtures during the term of this lease. At or prior to the expiration of this lease, Lessee
22 shall remove, at its expense, such trade fixtures and restore said leased premises to
23 their original shape and condition as nearly as practicable. In the event Lessee does
24 not so remove such trade fixtures, they shall become the property of the County for no
25 further consideration of any kind and Lessee shall execute any documents that may be
26 required or necessitated conveying its interest in such improvements, alterations and
27 fixtures to County.

28 9. Off-Site Improvements

1 (a) County and Lessee herein acknowledge that Lessee has no fee
2 title interest in or to the Leased Premises.

3 (b) It is understood by the parties hereto that utility services are
4 available in the general vicinity of the leased premises, but in order for the on-site
5 improvements required in Paragraph 8 herein to be fully usable and operational,
6 Lessee, at its expense, shall extend and/or connect, or cause to be extended and/or
7 connected, to any utility service facilities that may be required or desired by Lessee in
8 the use, operation and maintenance of such on-site improvements. After such
9 extensions and/or connections have been made, Lessee shall be responsible for
10 payment of the use of such utility services, without limitation, all electricity, gas,
11 telephone, water and sewer. If necessary, County shall grant right-of-way utility
12 easements to the Lessee for telephone, electricity, gas, water and/or sewer
13 connections and improvements. After such extensions and/or connections have been
14 made, Lessee shall be responsible for payment of the use of any utility services,
15 without limitation, all electricity, gas, telephone and water.

16 (c) Lessee shall obtain, or cause to be obtained performance, material
17 and labor, and payment bonds or a County approved Irrevocable Letter of Credit in the
18 amounts required by law and determined by County and shall furnish County with
19 copies thereof prior to the commencement of such off-site improvements.

20 10. Additional Obligations of Lessee. The Lessee shall maintain the Leased
21 Premises, approaches thereto, and improvements now or hereafter located thereon, in
22 good and sanitary order, condition, and repair, and upon any termination of this Lease,
23 Lessee agrees to surrender said Leased Premises and improvements thereon in such
24 condition, reasonable use and wear thereof and damages by fire, acts of God, war, civil
25 insurrection, or by the elements excepted.

26 11. Compliance with Law. Lessee shall, at its sole cost and expense, comply
27 with all of the requirements of all governmental agencies now in force, or which may
28 hereafter be in force, pertaining to the Leased Premises, and any improvements

1 hereafter constructed or maintained thereon, and Lessee shall faithfully observe all
2 ordinances now or hereafter in force in the use of the Leased Premises.

3 12. County's Reserved Rights.

4 (a) The leased premises are accepted by Lessee subject to any and
5 all existing easements or other encumbrances, and County shall have the right to enter
6 upon the leased premises and to install, lay, construct, maintain, repair and operate
7 such sanitary sewers, drains, storm water sewers, pipelines, manholes, connections,
8 water, oil and gas pipelines, and telephone and telegraph power lines and such other
9 facilities and appurtenances necessary or convenient to use in connection therewith,
10 over, in, upon, through, across and along the leased premises or any part thereof.
11 County also reserves the right to grant franchises, easements, rights of way and
12 permits in, over and upon, along or across any and all portions of said leased premises
13 as County may elect; provided, however, that no right of the County provided for in this
14 paragraph shall be so executed as to interfere unreasonably with Lessee's use
15 hereunder, or impair the security of any secured creditor of Lessee. County shall
16 cause the surface of the leased premises to be restored to its original condition (as they
17 existed prior to any such entry) upon the completion of any construction by County or
18 its agents. In the event such construction renders any portion of the leased premises
19 unusable, the rent shall abate pro rata as to such unusable portion during the period of
20 such construction. Any right of County set forth in this paragraph shall not be exercised
21 unless a prior written notice of thirty (30) days is given to Lessee; provided, however, in
22 the event such right must be exercised by reason of emergency, then County shall give
23 Lessee such notice in writing as is reasonable under the existing circumstances.

24 (b) County reserves the right to further develop or improve the aircraft
25 operating area of French Valley Airport as it deems appropriate. County reserves the
26 right to take any action it considers necessary to protect the aerial approaches of the
27 French Valley Airport against obstruction, together with the right to prevent Lessee from
28 erecting or permitting to be erected, any building or other structure on the French

1 Valley Airport, which in the opinion of county, would limit the usefulness of the French
2 Valley Airport or constitute a hazard to aircraft.

3 (c) During the time of war or national emergency, County shall have
4 the right to lease the landing area of the French Valley Airport, or any part thereof, to
5 the United States Government for military use and, if such lease is executed, the
6 provisions of this lease insofar as they are inconsistent with the provisions of such
7 lease to the Government, shall be suspended. In that event, a just and proportionate
8 part of the rent hereunder shall be abated, and the period of such closure shall be
9 added to the term of this lease, or any extensions thereof, so as to extend and
10 postpone the expiration thereof unless. Lessee otherwise elects to terminate this lease.

11 (d) Notwithstanding any provisions herein, this lease shall be
12 subordinate to the provisions of any existing or future agreement between County and
13 the United States, relative to the operation or maintenance of the French Valley Airport,
14 the terms and execution of which have been or may be required as a condition
15 precedent to the expenditure or reimbursement to County of Federal funds for the
16 development of said airport.

17 (e) This lease is subject to the provisions set forth in Exhibit "B"
18 (Federally Required Lease Provisions), attached hereto and by this reference made a
19 part of this lease.

20 13. Inspection of Premises. County, through its duly authorized agents, shall
21 have, at any time during normal business hours, the right to enter the leased premises
22 for the purpose of inspecting, monitoring and evaluating the obligations of Lessee
23 hereunder and for the purpose of doing any and all things which it is obligated and has
24 a right to do under this lease.

25 14. Quiet Enjoyment. Lessee shall have, hold and quietly enjoy the use the
26 leased premises so long as lessee shall fully and faithfully perform the terms and
27 conditions that the lessee is required to do under this lease.
28

1 15. Compliance with Government Regulations. Lessee shall, at Lessee's
2 sole cost and expense, comply with the requirements of all local, state and federal
3 statutes, regulations, rules, ordinances and orders now in force or which may be
4 hereafter in force, pertaining to the leased premises. The final judgment, decree or
5 order of any Court of competent jurisdiction, or the admission of Lessee in any action or
6 proceedings against Lessee, whether Lessee be a party thereto or not, that Lessee has
7 violated any such statutes, regulations, rules, ordinances, or orders, in the use of the
8 leased premises, shall be conclusive of that fact as between County and Lessee.

9 16. Discrimination or Segregation.

10 (a) Lessee shall not discriminate in Lessee's recruiting, hiring,
11 promotion, demotion or termination practice on the basis of race, religious creed, color,
12 national origin, ancestry, sex, age, physical handicap, medical condition or marital
13 status with respect to its use of the leased premises hereunder, and Lessee shall
14 comply with the provisions of the California Fair Employment and Housing Act
15 (Government Code Sections 12900 et seq.), the Federal Civil Rights Act of 1964 (P.L.
16 88-352), and all amendments thereto, Executive Order No. 11246 (30 Federal Register
17 12319), as amended, and all Administrative Rules and Regulations issued pursuant to
18 said Acts and orders with respect to its use of the leased premises.

19 (b) Lessee shall not discriminate against or cause the segregation of
20 any person or group of persons on account of race, religious creed, color, national
21 origin, ancestry, sex, age, physical handicap, medical condition or marital status, in the
22 occupancy, use, tenure or enjoyment of the leased premises, nor shall Lessee, or any
23 person claiming under or through Lessee, establish or permit any such practice or
24 practices of discrimination or segregation with reference to the selection, location,
25 number, use or occupancy of any persons within the leased premises.

26 (c) Lessee assures that it will undertake an affirmative action program
27 as required by 49 CFR, Part 21, to insure that no person shall on the grounds of race,
28 creed, color, national origin, or sex be excluded from participating in any employment

1 activities covered in 49 CFR, Part 21, with respect to its use of the leased premises.
2 Lessee further assures that no person shall be excluded on these grounds from
3 participating in or receiving services or benefits of any program or activity covered
4 herein with respect to its use of the leased premises. Lessee further assures that it will
5 require that its subcontractors and independent contractors provide assurance to
6 Lessee that they similarly will undertake affirmative action programs and that they will
7 require assurances from their subcontractors and independent contractors, as required
8 by 49 CFR, Part 21, to the same effect with respect to their use of the leased premises.

9 17. Termination by County. County shall have the right to terminate this
10 lease on 30 days written notice served on Lessee, provided Lessee has not cured or
11 taken affirmative steps to cure the default within said 30 days:

12 (a) In the event a petition is filed for voluntary or involuntary
13 bankruptcy for the adjudication of Lessee as debtors.

14 (b) In the event that Lessee makes a general assignment, or Lessee's
15 interest hereunder is assigned involuntarily or by operation of law, for the benefit of
16 creditors.

17 (c) In the event of abandonment of the leased premises by Lessee.

18 (d) In the event Lessee fails or refuses to perform, keep or observe
19 any of Lessee's duties or obligations hereunder; provided, however, that Lessee shall
20 have thirty (30) days in which to correct Lessee's breach or default after written notice
21 thereof has been served on Lessee by County.

22 (e) In the event Lessee fails, or refuses, to meet its rental obligations,
23 or any of them, hereunder or as otherwise provided by law.

24 (f) Failure of Lessee to maintain insurance coverage required herein
25 and to provide evidence of coverage to the County.

26 18. Termination by Lessee(s).

27 (a) Lessee shall have the right to terminate this lease in the event
28 County fails to perform, keep, or observe any of its duties or obligations hereunder;

1 provided, however, that County shall have thirty (30) days in which to correct its breach
2 or default after written notice thereof has been served on it by Lessee; provided,
3 further, however, that in the event such breach or default is not corrected, Lessee may
4 elect to terminate this lease in its entirety or as to any portion of the premises affected
5 thereby, and such election shall be given by an additional thirty (30) day written notice
6 to County.

7 19. Eminent Domain. If any portion of the leased premises shall be
8 taken by eminent domain and a portion thereof remains which is usable by Lessee for
9 the purposes set forth in Paragraph 4 herein, this lease shall, as to the part taken,
10 terminate as of the date title shall vest in the condemnor, or the date prejudgment
11 possession is obtained through a court of competent jurisdiction, whichever is earlier,
12 and the rent payable hereunder shall abate pro rata as to the part taken; provided,
13 however, in such event County reserves the right to terminate this lease as of the date
14 when title to the part taken vests in the condemnor or as of such date of prejudgment
15 possession. If all of the leased premises are taken by eminent domain, or such part be
16 taken so that the leased premises are rendered unusable for the purposes set forth in
17 Paragraph 4 herein, this lease shall terminate. If a part or all of the leased premises be
18 so taken, all compensation awarded upon such taking shall be apportioned between
19 County and lessee according to law.

20 20. Indemnity. The Lessee covenants to hold County harmless from any and
21 All loss, claims, or damages resulting from Lessee's violation of any term, provision,
22 covenant, or condition of this lease, or the use, misuse, or neglect of said Leased
23 Premises, improvements, and appurtenances, and from all claims arising out of any
24 alleged defective or unsafe condition thereof, except with respect to any claims arising
25 out of the conduct of County. County shall not be liable to Lessee, nor to any other
26 person or entity, for any damage or injury occasioned by any defect in the Leased
27 Premises, its improvements, or appurtenances. Without limiting or qualifying the
28 foregoing, it is agreed that Lessee shall notify County immediately in writing, of any

1 damage or injury to the Leased Premises, its improvements, or to any appurtenances,
2 or to the sidewalk or curb abutting thereon, or as to any other condition which may
3 expose the Lessee or County to public liability. The use of the term Lessee and County
4 in this paragraph also includes their tenants, employees, agents, representatives, and
5 invitees.

6 21. Insurance. Lessee shall procure and maintain or cause to be maintained,
7 at its sole cost and expense, the following insurance coverage's during the term of this
8 Lease. The procurement and maintenance of the insurance required below will not
9 diminish or limit Lessee's obligation to indemnify or hold the County harmless.

10 I. Workers Compensation

11 Workers Compensation Insurance (Coverage A) as prescribed by
12 the laws of the State of California. Policy shall include Employers' Liability (Coverage
13 B) including Occupational Disease with limits not less than \$1,000,000 per person per
14 accident. Policy shall be endorsed, if applicable, to provide a Borrowed
15 Servant/Alternate Employer Endorsement and Waiver of Subrogation in favor of the
16 County of Riverside, Special Districts, Directors, Officers, Board of Supervisors, elected
17 officials, employees, agents and representatives.

18 II. Airport Commercial General Liability

19 Airport Commercial General Liability insurance coverage, including
20 but not limited to, premises liability, contractual liability, products and completed
21 operations, contingent liability, personal and advertising injury and, if liquor is sold,
22 liquor law liability covering claims which may arise from or out of Lessee's performance
23 of its obligations hereunder. Policy shall name the County of Riverside, Special
24 Districts, Directors, Officers, Board of Supervisors, elected officials, employees, agents
25 and representatives as Additional Insureds. Policy's limit of liability shall not be less
26 than \$3,000,000 per occurrence combined single limit and \$300,000 in the aggregate.
27 If such insurance contains a general aggregate limit, it shall apply separately to this
28 agreement or be no less than two (2) times the occurrence limit. Such insurance will

1 include Medical Payments for a limit of \$5,000 and Fire Legal Liability for a limit of
2 \$300,000.

3 III. Vehicle Liability

4 If Lessee's vehicles or mobile equipment are used in the
5 performance of the obligations under this Lease, then Lessee shall maintain liability
6 insurance for all owned, non-owned or hired vehicles so used in an amount not less
7 than \$1,000,000 per occurrence combined single limit. Policy shall name the County of
8 Riverside, Specials Districts, Directors, Officers, Board of Supervisors, elected officials,
9 employees, agents and representatives as Additional Insureds. This coverage may be
10 included in the Airport Commercial General Liability policy.

11 IV. Aircraft Hull and Liability Insurance

12 Aircraft Hull for the full replacement value of all aircraft stored by
13 the Lessee in the Leased Premises and the contents thereof. Policy will be endorsed
14 to include the County of Riverside, Special Districts, Directors, Officers, Elected
15 Officials, employees, agents and representatives as Additional Insureds. Lessee may
16 elect to self-insure or un-insure the hull portion of the coverage required herein;
17 however, if Lessee elects not to acquire commercial insurance for the hull, Lessee
18 agrees to hold the County of Riverside harmless and not make any claim against the
19 County of Riverside for loss or damage to the hull of his aircraft for any reason
20 whatsoever regardless of any negligence of the County that may have contributed to
21 said loss or damage. Aircraft Liability Coverage and commercial general liability
22 insurance including, but not limited to, premises liability and contractual liability with a
23 limit of liability for bodily injury (including death) and property damage of at least
24 \$1,000,000 with a per seat limit of not less than \$100,000. Coverage will apply to all
25 owned aircraft and all non-owned or hired aircraft operated by the Lessee. Policy will
26 be endorsed to include the County of Riverside, Special Districts, Directors, Officers,
27 Elected Officials, employees, agents and representatives as Additional Insureds.

28 V. Products Liability Insurance

1 If Lessee Provides maintenance and repair services under the
2 terms of this Lease, Lessee shall provide Products Liability Insurance including
3 completed operations not otherwise covered by the Airport Commercial General
4 Liability policy with a limit of not less than \$2,000,000 any one occurrence combined
5 single limit and in the annual aggregate.

6 VI. Hangar Keepers Liability Insurance (Ground Coverage)

7 Hangar Keepers Liability Insurance providing coverage for aircraft
8 in the care, custody or control of the Lessee with a limit equal to the replacement value
9 of all aircraft hulls controlled by the Lessee while on the ground however, in no event,
10 shall the limit of liability be less than \$1,000,000.

11 VII. Hangar Keepers Liability Insurance (Flight Coverage)

12 If applicable, Lessee shall provide Hangar Keepers Liability
13 Insurance providing coverage for aircraft in the care, custody or control of the Lessee
14 with a limit equal to the replacement value of highest valued hull that may be flight
15 tested by the Lessee however, in no event, shall the limit of liability be less than
16 \$1,000,000.

17 VIII. Pollution Liability Insurance

18 If Lessee provides aircraft fueling service they shall provide
19 Pollution Liability Insurance covering gradual, sudden and accidental pollution
20 including first party clean-up with a limit of no less than \$1,000,000.

21 IX. Property (Physical Damage):

22 i. All-Risk real and personal insurance coverage, including
23 earthquake and flood if applicable, for the full replacement cost value of building,
24 structures, fixtures, equipment, improvements/alterations and systems on the premises
25 for property that the Lessee owns or is contractually responsible for. Policy shall
26 include Business Interruption, Extra Expense, and Expediting Expense to cover the
27 actual loss of business income sustained during the restoration period.
28

1 ii. Boiler & Machinery insurance coverage on a full
2 replacement cost value basis. Policy shall provide Business Interruption, Extra
3 Expense, and Expediting Expense coverage as well as coverage for off-premises
4 power failure.

5 X. Insurance for Fuel Suppliers.

6 Lessee shall also require suppliers of fuel to procure, maintain,
7 show evidence and comply with all requirements of insurance as follows:

8 i. Workers' Compensation. Workers' Compensation
9 Insurance (Coverage A) as prescribed by the laws of the State of California. Policy
10 shall include Employers' Liability (Coverage B) including Occupational Disease with
11 limits not less than \$3,000,000 per person per accident. Policy shall be endorsed, if
12 applicable, to provide a Borrowed Servant/Alternate Employer Endorsement and
13 Waiver Of Subrogation in favor of the Lessee and the County of Riverside, Special
14 Districts, Directors, Officers, Board of Supervisors, elected officials, employee, agents
15 and representatives.

16 ii. Commercial General Liability. Commercial General Liability
17 insurance coverage, including but not limited to, premises liability, contractual liability,
18 products and completed operations, personal and advertising injury covering claims
19 which may arise from or out of Supplier's performance of its obligations hereunder.
20 Policy shall name the Lessee, County of Riverside, Special Districts, their respective
21 Director's, Officers, Board of Supervisors, elected officials, employees, agents or
22 representatives as Additional Insureds. Policy's limit of liability shall not be less than
23 \$3,000,000 per occurrence combined single limit. If such insurance contains a general
24 aggregate limit, it shall apply separately to this agreement or be no less than two (2)
25 times the occurrence limit.

26 iii. Vehicle Liability. Supplier shall maintain liability insurance
27 for all owned, non-owned or hired vehicles so used in an amount not less than
28 \$3,000,000 per occurrence combined single limit. If such insurance contains a general

1 aggregate limit, it shall apply separately to this agreement or be no less than two (2)
2 times the occurrence limit. Policy shall name the Lessee, County of Riverside, Special
3 Districts, their respective Directors, Officers, Board of Supervisors, elected officials,
4 employees, agents, or representatives as Additional Insureds.

5 iv. Pollution Liability Insurance. The Supplier shall provide
6 Pollution Liability Insurance covering gradual, sudden and accidental pollution including
7 first party clean-up with a limit of no less than \$5,000,000.

8 v. Lessee shall cause Supplier's insurance carrier(s) to furnish
9 the Lessor and the County of Riverside with a properly executed original Certificate(s)
10 of Insurance and certified original copies of Endorsements effecting coverage as
11 required herein. Further, said Certificate(s) and policies of insurance shall contain the
12 covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to
13 the Lessee and the County of Riverside prior to any material modification, cancellation,
14 expiration or reduction in coverage of such insurance. In the event of a material
15 modification, cancellation, expiration, or reduction in coverage, the Supplier's
16 Agreement shall terminate forthwith, unless the Lessee and the County of Riverside
17 receives, prior to such effective date, another properly executed original Certificate of
18 Insurance and original copies of endorsements or certified original policies, including all
19 endorsements and attachments thereto evidencing coverages set forth herein and the
20 insurance required herein is in full force and effect. Supplier shall not commence
21 operations until the County of Riverside has been furnished original Certificate (s) of
22 Insurance and certified original copies of endorsements or policies of insurance
23 including all endorsements and any and all other attachments as required in this
24 Section. The original endorsements for each policy and the Certificate of Insurance
25 shall be signed by an individual authorized by the insurance carrier to do so on its
26 behalf.

27 vi. The Supplier's insurance company(s) shall agree and the
28 Certificate(s) of Insurance and policies shall so covenant that coverage provided by

1 them shall be construed as primary insurance, and the Lessee's and the County's
2 insurance and/or deductibles and/or self-insured retentions or self-insured programs
3 shall not be construed as contributory.

4 XI. Insurance for Sub-Lessee's. Lessee shall require each of its Sub-
5 Lessee's to meet all insurance requirements imposed by the Lessee. These
6 requirements, with the approval of the County's Risk Manager, may be modified to
7 reflect the activities associated with the Sub-Lessee.

8 XII. General Insurance Provisions - All lines:

9 i. Any insurance carrier providing insurance coverage
10 hereunder shall be admitted to the State of California unless waived, in writing, by the
11 County Risk Manager. Carrier(s) shall have an A.M. BEST rating of not less than an A:
12 VIII (A:8).

13 ii. Insurance deductibles or self-insured retentions must be
14 declared by the Lessee's insurance carrier(s), and such deductibles and retentions
15 shall have the prior written consent from the County Risk Manager. Failure of the
16 Lessee's carriers to declare deductibles or self insured retentions to the County shall
17 waive any obligation of the County, as additional insured, to honor said deductibles or
18 self insured retentions in the event of Lessee's insolvency. Upon notification of
19 deductibles or self insured retentions unacceptable to the County, and at the election of
20 the County's Risk Manager, Lessee's carriers shall either: 1) reduce or eliminate such
21 deductibles or self-insured retentions as respects this Lease with the County, or 2)
22 procure a bond which guarantees payment of losses and related investigations, claims
23 administration, and defense costs and expenses.

24 iii. Cause Lessee's insurance carrier(s) to furnish the County of
25 Riverside with either 1) a properly executed original Certificate(s) of Insurance
26 indicating coverage as required herein, or 2) if requested to do so in writing by the
27 County Risk Manager, provide original Certified copies of policies showing such
28 insurance is in full force and effect. Further, said Certificate(s) and policies of

1 insurance shall contain the covenant of the insurance carrier(s) that thirty (30) days
2 written notice shall be given to the County of Riverside prior to any material
3 modification, cancellation, expiration or reduction in coverage of such insurance. In the
4 event of a material modification, cancellation, expiration, or reduction in coverage, this
5 Lease shall terminate forthwith, unless the County of Riverside receives, prior to such
6 effective date, another properly executed original Certificate of Insurance, evidencing
7 coverages set forth herein and the insurance required herein is in full force and effect.
8 Lessee shall not commence operations until the County of Riverside has been
9 furnished original Certificate(s) of Insurance as required in this Section. The original
10 Certificate of Insurance shall be signed by an individual authorized by the insurance
11 carrier to do so on its behalf.

12 iv. It is understood and agreed to by the parties hereto and the
13 insurance company(s), that the Certificate(s) of Insurance and policies shall so
14 covenant and shall be construed as primary insurance, and the County's insurance
15 and/or deductibles and/or self-insured retentions or self-insured programs shall not be
16 construed as contributory.

17 XIII. The County of Riverside's Reserved Rights-Insurance

18 If during the term of this Lease or any extension thereof, there is a
19 material change in the scope of services or performance of work; or, there is a material
20 change in the scope of services or performance of work the County of Riverside
21 reserves the right to adjust the types of insurance required under this Lease and the
22 monetary limits of liability for the insurance coverages currently required herein, if; in
23 the EDA's Executive Director's reasonable judgment, upon advise of the County Risk
24 Manager, the amount or type of insurance carried by the Lessee has become
25 inadequate. The Lessee agrees to notify the County of any plan or change of plan for
26 the Lessee's operations and such notification shall occur prior to implementing any
27 such change.

28 22. Hold Harmless.

1 (a) Lessee represents that it has inspected the leased premises
2 accepts the condition thereof and fully assumes any and all risks associated to the use
3 thereof. County shall not be liable to Lessee, its officers, agents, employees,
4 subcontractors or independent contractors for any personal injury or property damage
5 suffered by them which may result from hidden, latent or other dangerous conditions in,
6 on, upon or within the leased premises; provided, however, that such dangerous
7 conditions are not caused by the sole negligence of County, its officers, agents or
8 employees.

9 (b) Lessee shall indemnify and hold County, its elected officials,
10 officers, agents, employees, and independent contractors free and harmless from any
11 liability whatsoever, based or asserted upon any act or omission of Lessee, its officers,
12 agents, employees, subcontractors and independent contractors, for property damage,
13 bodily injury, or death or any other element of damage of any kind or nature, relating to
14 or in anyway connected with or arising from its use and responsibilities in connection
15 therewith of the leased premises or the condition thereof, and Lessee shall defend, at
16 its expense, including without limitation attorney fees, expert fees and investigation
17 expenses, County, its elected officials, agents, employees and independent contractors
18 in any legal action based upon such alleged acts or omissions. The obligation to
19 indemnify and hold County free and harmless herein shall survive until any and all
20 claims, actions and causes of action with respect to any and all such alleged acts or
21 omissions are fully and finally barred by the applicable statute of limitations.

22 (c) County shall indemnify and hold Lessee, its officers, agents,
23 employees and independent contractors free and harmless from any liability
24 whatsoever, based or asserted upon any act or omission of County, its elected officials,
25 officers, agents, employees, subcontractors and independent contractors, for property
26 damage, bodily injury, or death or any other element of damage of any kind or nature,
27 relating to or in anyway connected with or arising from its use and responsibilities in
28 connection therewith of the leased premises or the condition thereof, and County shall

1 defend, at its expense, including without limitation attorney fees, expert fees and
2 investigation expenses, Lessee, its, agents, employees, and independent contractors in
3 any legal action based upon such alleged acts or omissions. The obligation to
4 indemnify and hold Lessee free and harmless herein shall survive until any and all
5 claims, actions and causes of action with respect to any and all such alleged acts or
6 omissions are fully and finally barred by the applicable statute of limitations.

7 (d) The specified insurance limits required in Paragraph 21 herein
8 shall in no way limit or circumscribe Lessee's obligations to indemnify and hold County
9 free and harmless herein.

10 23. Assignment. Lessee cannot assign, sublet, mortgage, hypothecate or
11 otherwise transfer in any manner any of its rights, duties or obligations hereunder to
12 any person or entity without the written consent of County being first obtained, which
13 consent shall not be unreasonably withheld.

14 24. Right to Encumber/Right to Cure.

15 (a) Lessee Right to Encumber. Notwithstanding provisions of
16 Paragraph 23 herein, County does hereby consent to and agree that Lessee may
17 encumber or assign, or both, for the benefit of a lender, herein called Encumbrancer,
18 this lease, the leasehold estate and the improvements thereof by a deed of trust,
19 mortgage or other security-type instrument, herein called trust deed, to assure the
20 payment of the promissory note of Lessee if the Encumbrancer is an established bank,
21 savings and loan association or insurance company, and the prior written consent of
22 County shall not be required:

23 (1) To a transfer of this lease at foreclosure under the trust
24 deed, judicial foreclosure, or an assignment in lieu of foreclosure; or

25 (2) To any subsequent transfer by the Encumbrancer if the
26 Encumbrancer is an established bank, savings and loan association or insurance
27 company, and is the purchaser at such foreclosure sale, or is the assignee under an
28 assignment in lieu of foreclosure; provided, however, that in either such event the

1 Encumbrancer forthwith gives notice to county in writing of any such transfer, setting
2 forth the name and address of the transferee, the effective date of such transfer, and
3 the express agreement of the transferee assuming and agreeing to perform all of the
4 obligations under this lease, together with a copy of the document by which such
5 transfer was made.

6 Any Encumbrancer described in Paragraph 24 (a)(2) above
7 which is the transferee under the provisions of Paragraph 24 (a)(1) above shall be
8 liable to perform the obligations and duties of Lessee under this lease only so long as
9 such transferee holds title to the leasehold. Any subsequent transfer of this leasehold
10 hereunder, except as provided for in Paragraph 24 (a)(2) above, shall not be made
11 without the prior written consent of County and shall be subject to the conditions
12 relating hereto as set forth in Paragraph 23 herein.

13 Lessee shall give County prior notice of any such trust
14 deed, and shall accompany such notice with a true copy of the trust deed and note
15 secured thereby.

16 (b) Right of Encumbrancer to Cure. County agrees that it will not
17 terminate this lease because of any default or breach hereunder on the part of Lessee
18 if the Encumbrancer under the trust deed, within ninety (90) days after service of
19 written notice on the Encumbrancer by County of its intention to terminate this lease for
20 such default or breach shall:

21 (1) Cure such default or breach if the same can be cured by the
22 payment or expenditure of money provided to be paid under the terms of this lease;
23 provided, however, that for the purpose of the foregoing, the Encumbrancer shall not
24 be required to pay money to cure the bankruptcy or insolvency of Lessee; or,

25 (2) If such default or breach is not so curable, cause the trustee
26 under the trust deed to commence and thereafter diligently to pursue to completion
27 steps and proceedings for judicial foreclosure, the exercise of the power of sale under
28 and pursuant to the trust deed in the manner provided by law, or accept from Lessee

1 an assignment in lieu of foreclosure, and keep and perform all of the covenants and
2 conditions of this lease requiring the payment or expenditure, of money by Lessee(s)
3 until such time as said leasehold shall be sold upon foreclosure pursuant to the trust
4 deed, be released or reconveyed thereunder, be sold upon judicial foreclosure or be
5 transferred by deed in lieu of foreclosure.

6 25. Estoppel Certificate. Each party shall, at any time during the term of the
7 Lease, within ten (10) days of written Notice (or as soon as reasonably possible) from
8 the other party, execute and deliver a statement in writing certifying that this Lease is
9 unmodified and in full force and effect, or if modified, stating the nature of such
10 modification. The statement shall include other details requested by the other party as
11 to the date to which rent and other charges have been paid, and the knowledge of the
12 other party concerning any uncured defaults with respect to obligations under this
13 Lease and the nature of such defaults, if they are claimed. Any such statement may be
14 relied upon conclusively by any prospective purchaser, encumbrancer, or sublessee of
15 the Demised Premises, the building or any portion thereof.

16 26. Toxic Materials. During the term of this lease and any, extensions thereof,
17 Lessee shall not violate any federal, state or local law, or ordinance or regulation,
18 relating to industrial hygiene or to the environmental condition on, under or about the
19 leased premises including, but not limited to, soil air and groundwater conditions.
20 Further, Lessee, its successors, assigns and sublessees, shall not use, generate,
21 manufacture, produce, store or dispose of on, under or about the leased premises or
22 transport to or from the leased premises any flammable explosives, asbestos,
23 radioactive materials, hazardous wastes, toxic substances or related injurious
24 materials, whether injurious by themselves or in combination with other materials
25 (collectively, "hazardous materials"). For the purpose of this lease, hazardous
26 materials shall include, but not be limited to, substances defined as "hazardous
27 substances," "hazardous materials," or "toxic substances" in the Comprehensive
28 Environmental Response, Compensation and Liability Act of 1980, as amended, 42

1 U.S.C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C.
2 Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C.
3 Section 6901, et seq.; and those substances defined as "hazardous wastes" in Section
4 25117 of the California Health and Safety Code or as "hazardous substances" in
5 Section 25316 of the California Health and Safety Code; and in the regulations adopted
6 in publications promulgated pursuant to said laws.

7 27. National Pollution Discharge Elimination System (NPDES) Permit.
8 Lessee acknowledges, understands and agrees that it shall comply with California
9 State Water Resources Control Board general permit requirements relating to storm
10 water discharges associated with activities such as aircraft rehabilitation, mechanical
11 repairs, fueling, lubrication, cleaning, painting and deicing. Lessee further
12 acknowledges, understands and agrees that it shall participate as a co-permittee under
13 said general permit, participate in the French Valley Airport Storm Water Pollution
14 Prevention Plan (SWPPP) as noted in Exhibit "D", including without limitation the Best
15 Management Practices, Best Available Technology Economically Achievable, and Best
16 Convention Pollutant Control Technology."

17 28. Free from Liens. Lessee shall pay, when due, all sums of money that
18 may become due for any labor, services, material, supplies, or equipment, alleged to
19 have been furnished or to be furnished to Lessee, in, upon, or about the leased
20 premises, and which may be secured by a mechanics, materialmen's or other lien
21 against the leased premises or County's interest therein, and will cause each such lien
22 to be fully discharged and released at the time the performance of any obligation
23 secured by such lien matures or becomes due; provided, however, that if Lessee desire
24 to contest any such lien, it may do so, but notwithstanding any such contest, if such,
25 lien shall be reduced to final judgment, and such judgment or such process as may be
26 issued for the enforcement thereof is not promptly stayed, or if so stayed, and said stay
27 thereafter expires, then and in such event, Lessee shall forthwith pay and discharge
28 said judgment.

1 29. Employees and Agents of Lessee. It is understood and agreed that all
2 persons hired or engaged by Lessee shall be considered to be employees or agents of
3 Lessee and not of County.

4 30. Binding on Successors. Lessee, its assigns and successors in interest,
5 shall be bound by all the terms and conditions contained in this lease, and all of the
6 parties thereto shall be jointly and severally liable hereunder.

7 31. Right of First Refusal. Providing Lessee faithfully performs all of the
8 conditions and covenants contained herein, and is not in default of the Lease at the
9 date of expiration, and further providing Lessor offers the Leased Premises for lease at
10 any time during the twelve (12) months subsequent to said expiration, Lessee, its
11 successor, or assigns shall have the first right of refusal to enter into a new lease
12 agreement with Lessor under the final terms being offered by Lessor to any prospective
13 lessee. Issuance of a Request for Proposals or Bid or similar issuance does not
14 constitute an offering of lease terms. Lessor shall provide Lessee written notice by
15 United State mail, that the Leased Premises are available for lease and the terms of
16 said lease, and Lessee shall have thirty (30) days from the postmark of said notice to
17 give written notice of acceptance of the proposed lease under the terms and conditions
18 contained in said notice. Should Lessee fail to notify Lessor of acceptance of said
19 lease agreement within the thirty (30) days set forth herein, Lessee shall be deemed to
20 have rejected said offer to lease, and Lessor shall be released from any further
21 obligation hereunder.

22 32. Waiver of Performance. No waiver by County at any time of any of the
23 terms and conditions of this lease shall be deemed or construed as a waiver at any
24 time thereafter of the same or of any other terms or conditions contained herein or of
25 the strict and timely performance of such terms and conditions.

26 33. Severability. The invalidity of any provision in this lease as determined by
27 a court of competent jurisdiction shall in no way affect the validity of any other provision
28 hereof.

1 34. Venue. Any action at law or in equity brought by either of the parties
2 hereto for the purpose of enforcing a right or rights provided for by this lease shall be
3 tried in a Court of competent jurisdiction in the County of Riverside, State of California,
4 and the parties hereby waive all provisions of law providing for a change of venue in
5 such proceedings to any other County.

6 35. Attorneys' Fees. In the event of any litigation or arbitration between
7 Lessee and County to enforce any of the provisions of this lease or any right of either
8 party hereto, the unsuccessful party to such litigation or arbitration agrees to pay to the
9 successful party all costs and expenses, including reasonable attorneys' fees, incurred
10 therein by the successful party, all of which shall be included in and as a part of the
11 judgment or award rendered in such litigation or arbitration.

12 36. Notices. Any notices required or desired to be served by either party
13 upon the other shall be addressed to the respective parties as set forth below:
14

<u>COUNTY</u>	<u>LESSEE</u>
County of Riverside Economic Development Agency 3525 14 th Street Riverside, CA 92501 Attn: Executive Director	French Valley Hangars, LLC 279 Bottlebrush Way Fallbrook, CA 92028 (760) 723-0210

19
20 or to such other addresses as from time to time shall be designated by the respective
21 parties.

22 37. Paragraph Headings. The paragraph headings herein are for the
23 convenience of the parties only, and shall not be deemed to govern, limit, modify or in
24 any manner affect the scope, meaning or intent of the provisions or language of this
25 lease.

26 38. County's Representative. County hereby appoints the Economic
27 Development Agency's Executive Director or his designee as its authorized
28 representative to administer this lease.

1 39. Acknowledgment of Lease by County. Upon execution of this lease by
2 the parties hereto, this lease shall be acknowledged by County in such a manner that it
3 will be acceptable by the County Recorder for recordation purposes, and thereafter,
4 Lessee shall cause this lease to be recorded in the office of the county Recorder of
5 Riverside County forthwith and furnish County with a conformed copy thereof.

6 40. Agent for Service of Process. It is expressly understood and agreed that
7 in the event Lessee is not a resident of the State of California or it is an association or
8 partnership without a member or partner resident of the State of California, or it is a
9 foreign corporation, then in any such event, Lessee shall file with County's clerk, upon
10 its execution hereof, a designation of a natural person residing in the State of
11 California, giving his or her name, residence and business addresses, as its agent for
12 the purpose of service of process in any court action arising out of or based upon this
13 lease, and the delivery to such agent of a copy of any process in any such action shall
14 constitute valid service upon Lessee. It is further expressly understood and agreed that
15 if for any reason service of such process upon such agent is not feasible, then in such
16 event Lessee may be personally served with such process out of this County and that
17 such service shall constitute valid service upon Lessee. It is further expressly
18 understood and agreed that Lessee is amenable to the process so served, submits to
19 the jurisdiction of the Court so obtained and waives any and all objections and protests
20 thereto.

21 41. FAA Consent to Lease. Lessee acknowledges that French Valley Airport
22 was transferred to the County by the Federal Government and, as such, may require
23 FAA consent to the Lease.

24 42. Entire Lease. This lease is intended by the parties hereto as a final
25 expression of their understanding with respect to the subject matter hereof and as a
26 complete and exclusive statement of the terms and conditions thereof and supersedes
27 any and all prior and contemporaneous leases, agreements and understandings, oral
28

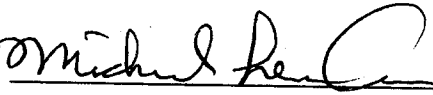
1 or written, in connection therewith. This lease may be changed or modified only upon
2 the written consent of the parties hereto.

3 43. Construction of Lease. The parties hereto negotiated this lease at arms
4 length and with the advise of there respective attorneys, and no provisions contained
5 herein shall be construed against County solely because it prepared this lease in its
6 executed form.

7
8 **LESSEE**

9 Date: 4/15/02

FRENCH VALLEY HANGARS, LLC,
a California Limited Liability Company

11
12 By: 

13 Michael Leon Amos, Member

12 By: 

13 Philip Roy, Member

14
15 Date: JUN 04 2002

COUNTY OF RIVERSIDE


16
17 By: 

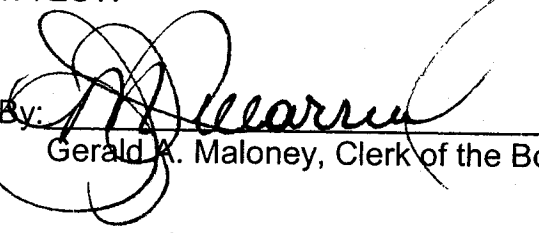
18 Chairman, Board of Supervisors
BOB BUSTER

19 APPROVED AS TO FORM:

20 APR 19 2002

21 ATTEST:

21 By: 
22 Joe S. Rank, Assistant County Counsel

21 By: 
22 Gerald K. Maloney, Clerk of the Board

23 Attachments:

- 24 1. Exhibit A - Legal Description
- 25 2. Exhibit B - Federally Required Lease Provisions
- 26 3. Exhibit C - Minimum Standards
- 27 4. Exhibit D - Storm Water Pollution Prevention Plan

Final Revised Lease
Amendment

FIRST AMENDMENT TO LEASE
FRENCH VALLEY AIRPORT

The COUNTY OF RIVERSIDE, herein called County, and FRENCH VALLEY HANGARS, LLC, a California Limited Liability Company, herein called Lessee, hereby agree to amend the Lease between the County of Riverside and French Valley Hangars, LLC approved by the Board of Supervisors of the County of Riverside on June 4, 2002, for 3.5 acres of land at French Valley Airport, County of Riverside, California, as follows:

1. Paragraph 4(a), substitute the following language:

(a) The Leased Premises is leased hereby for the following purposes:

(1) Providing all services accorded to a Full Service Fixed Based Operator, as described in the County's Minimum Standards for Fixed Base Operators, Exhibit C, Minimum Standards, attached hereto and by this reference made a part of this Lease, provided that all applicable provisions of the FBO Minimum Standards are met and that, for any use other than aircraft storage, floor drains, oil water separators and toilets are first installed.

(2) Providing aircraft self-fueling facilities and any other service usually associated with aircraft self-fueling servicing operations.

2. Paragraph 5(e), page 3 of 28, line 27 delete "LA-Anaheim Area for the twelve month period ending two months" and insert "Los Angeles-Riverside-Orange County Index for the period ending three months".

3. Paragraph 25, subsection II, page 3 of 28, line 26 delete "and \$300,000 in the aggregate".

4. All other provisions of the Lease, not otherwise affected by this Amendment, shall remain the same.

5. Construction of Amendment: The parties hereto negotiated this Amendment at arms length and with the advice of their respective attorneys, and no provisions

1 contained herein shall be construed against County solely because it prepared this
2 First Amendment in its executed form.

3
4 Date: 9/03/03

LESSEE

FRENCH VALLEY HANGARS, LLC,
a California Limited Liability Company

5
6
7 By: Michael Leon Amos ^{member}

8 Michael Leon Amos, Member

By: Philip Roy ^{MEMBER}

Philip Roy, Member

9
10
11 Date: 10/21/03

COUNTY OF RIVERSIDE

12
13
14 By: John T. ...
Chairman, Board of Supervisors
JOHN T. ...

15
16 ATTEST:
NANCY ROMERO, Clerk of the Board

FORM APPROVED:
WILLIAM C. KATZENSTEIN, County Counsel

17
18 By: [Signature]
Deputy

19
20 (SEAL)

By: Gordon V. Ubo 10/6/03
Deputy

SECOND AMENDMENT TO LEASE
French Valley Airport

This Second Amendment to Lease ("Amendment:") is entered into by and between the County of Riverside (hereinafter "County"), and French Valley Hangars, LLC, a California limited liability company, (herein called "Lessee"), with reference to the following:

RECITALS

A. WHEREAS, County and Lessee, are parties to that certain lease (hereinafter the "Lease") approved by the Board of Supervisors of the County of Riverside ("Board") on June 4, 2002, wherein Lessee agreed to lease from County, approximately 3.5 acres of property ("Leased Premises") located at the French Valley Airport; and

B. WHEREAS, the Lease was amended by a First Amendment to Lease approved by the Board on October 21, 2003; and

C. WHEREAS, the County and Lessee now desire to modify the Lease and First Amendment thereto in accordance with the terms and provisions of this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Lease shall be modified as follows:

1. Paragraph 5 Rent, page 2, subparagraph (a) shall be modified by adding the following at the end of said paragraph 5(a):

"Commencing July 1, 2005, the monthly rent shall be \$3,557.40.

2. Subparagraph 5 (d), page 3 of the Lease, shall be deleted in its entirety and replaced with the following subparagraph:

"5 (d) Base Rent Adjustment - Beginning July 1, 2015 and on July 1 of every fifth (5th) year thereafter, that portion of the monthly Base Rent for the Land shall be adjusted to one-twelfth (1/12) of eight percent (8%) of the then-current aviation fair market value of the Land. Said aviation fair market value

shall be for the Land only and shall not include the value of the Improvements or other structures placed on the Leased Premises by Lessee. In no event will application of this paragraph result in a monthly Base Rent amount for the Land which is lower than the highest previous monthly Base Rent for the Land.

The aviation fair market value for the Land will be established by a property appraisal performed by an independent appraiser, knowledgeable and experienced in the valuation of aviation property within the southern California Counties of Riverside, San Bernardino, San Diego and Los Angeles. The appraiser shall be certified by, and be, in good standing with the Appraisal Institute of Chicago IL with a current designation of "MAI" and the appraisal shall be conducted in strict compliance with the Uniform Standards of Professional Appraisal Practice ("USPAP").

No less than two hundred and forty (240) days prior to the rent adjustment date, County will notify by US Mail, potentially affected Lessees of its intent to issue a Request for Qualifications and Proposal ("RFQP") and submit a copy of the Draft RFQP form it intends to use. It will be the responsibility of the Lessees to establish amongst themselves a process for forming a committee to comment on the Draft RFQP and to select up to two-fifths (2/5) of the appraisers that will be invited to respond to the RFQP. In the event a majority of Lessees participating in the selection process are unable to form a committee, comment on the Draft RFQP, select the designated number of appraisers or give the County written notice thereof within two hundred ten (210) days prior to the rent adjustment date, then County will select all of the appraisers to which the RFQP is sent. No less than one hundred and eighty (180) days prior to the rent adjustment date, County will give reasonable consideration to the comments received from the Lessee's Committee and shall issue a Final RFQP to a

minimum of five (5) appraisers meeting the foregoing qualifications. Upon receipt of the responses to the RFQP, the County shall offer the responses to the Lessee's Committee for viewing and comment for a period of fourteen (14) days, and after reasonable consideration of the comments made, County shall select the appraiser pursuant to the County's established guidelines. The cost of the appraisal and related processes shall be borne by the County. The cost, if any, of forming and operating the Lessee's Committee shall be borne by the Lessee Committee members.

Once established, the adjusted monthly Base Rent for the Land shall be adjusted annually in the manner set forth in Paragraph 5 (d) below."

3. Subparagraph 5 (e), page 3, is hereby deleted in its entirety and replaced with the following subparagraph:

"(d) Beginning July 1, 2006, and at each July 1st thereafter, except for dates coinciding with the appraisals conducted every fifth year as referenced in paragraph 5(d) above, the Base Rent shall be adjusted by the percentage change, in the Consumer Price Index, All Urban Consumers, Los Angeles-Riverside-Orange County Area for the twelve month period ending three months before the month of rent adjustment under this paragraph. In no event will application of this paragraph result in a monthly Base Rent amount lower than the highest previous monthly Base Rent amount."

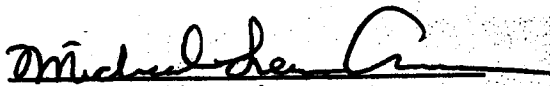
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WHEREFOR, the parties hereto have executed this Amendment as of the dates set forth below.

Dated: July 21, 2006

LESSEE:

FRENCH VALLEY HANGARS, LLC,
a California limited liability company



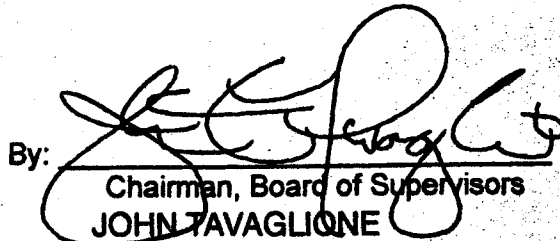
By: Michael Leon Amos
Its: Member



By: Philip Roy
Its: Member

Dated: JUL 17 2007

COUNTY OF RIVERSIDE



By: _____
Chairman, Board of Supervisors
JOHN TAVAGLIONE

(SEAL)

APPROVED AS TO FORM:
Joe S. Rank, County Counsel

ATTEST:
Nancy Romero, Clerk of the Board

By: Gordon V. Woo 7/3/07
Deputy

By: Jana Schlemmer
Deputy

THIRD AMENDMENT TO LEASE
French Valley Airport

This Third Amendment to Lease ("Amendment:") is entered into by and between the County of Riverside (hereinafter "County"), and French Valley Hangars, LLC, a California limited liability company, (herein called "Lessee"), with reference to the following:

RECITALS

- A. WHEREAS, County and Lessee, are parties to that certain lease (hereinafter the "Lease") approved by the Board of Supervisors of the County of Riverside ("Board") on June 4, 2002, wherein Lessee agreed to lease from County, approximately 3.5 acres of property ("Leased Premises") located at the French Valley Airport; and
- B. WHEREAS, the Lease was amended by a First Amendment to Lease approved by the Board on October 21, 2003; and
- C. WHEREAS, the Lease was amended by a Second Amendment to Lease approved by the Board on July 17, 2007; and
- D. WHEREAS Lessee is unable to develop the southwest corner of it site because of County setback requirements relating above ground fuel tanks; and
- E. WHEREAS County has an equal amount of land nearby which is suitable for development; and
- F. WHEREAS County and Lessee have agreed to adjust the boundaries of Lessee's Leasehold and exchange one parcel for the other: *
- G. WHEREAS, the County and Lessee now desire to modify the Lease in accordance with the terms and provisions of this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that the Lease shall be modified as follows:

1. Section 2 Description of the Lease shall be modified as follows:

Add the following paragraph:

"The Lease Premises shall be modified by adjusting the leasehold boundary according to Exhibits A, attached hereto incorporated herein by this reference. County's Parcel A will be exchanged for Lessee's Parcel B.

Lessee shall realign the fuel farm access road as shown on ~~as shown on~~ Exhibit A1, attached hereto and incorporated by this reference.

Lessee will improve Lessee's Parcel B according to the specifications attached hereto as Exhibit B.

The current Rent payable by Lessee and any other provisions of the Lease, as heretofore amended, not otherwise affected by this Third Amendment shall remain the same."

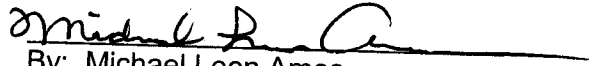
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WHEREFOR, the parties hereto have executed this Amendment as of the dates set forth below.

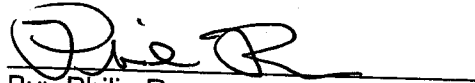
Dated: 10/2/07

LESSEE:

FRENCH VALLEY HANGARS, LLC,
a California limited liability company



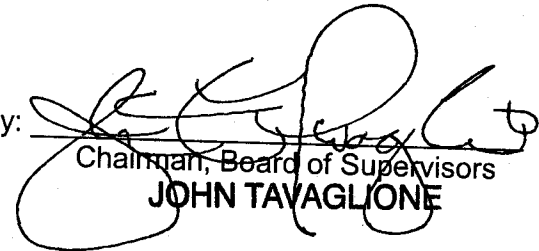
By: Michael Leon Amos
Its: Member



By: Philip Roy
Its: Member

Dated: 10/2/07

COUNTY OF RIVERSIDE

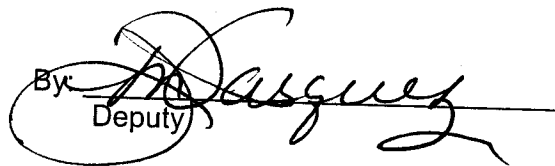
By: 
Chairman, Board of Supervisors
JOHN TAVAGLIONE

(SEAL)

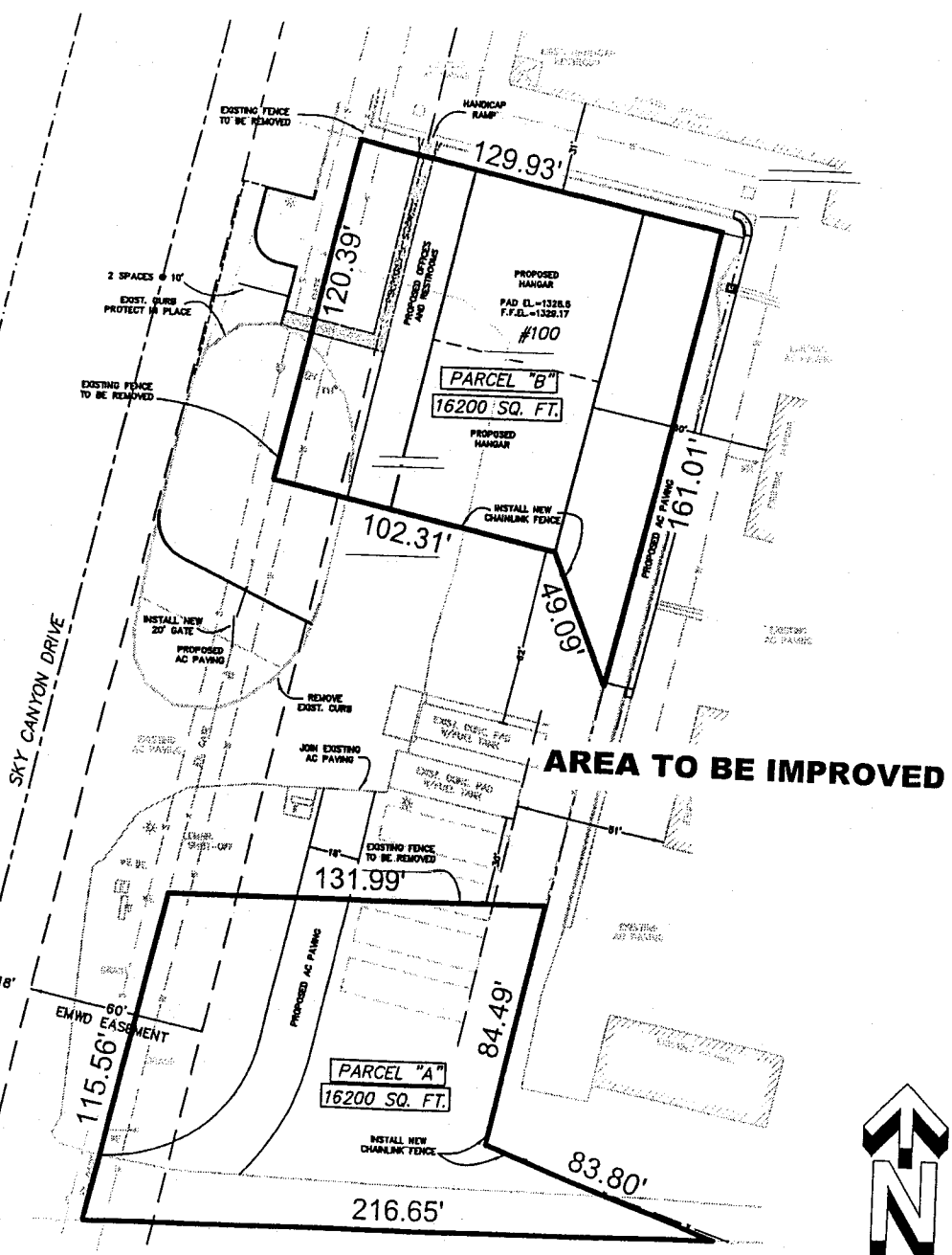
APPROVED AS TO FORM:
Joe S. Rank, County Counsel

ATTEST:
Nancy Romero, Clerk of the Board

By: Gordon V. Ubo 10/30/07
Deputy

By: 
Deputy

FRENCH VALLEY HANGARS L.L.C LEASEHOLD REVISION



SCALE: 1"=60'

FRENCH VALLEY HANGARS LLC WILL REALIGN ANY AND ALL GATES, CHANGE GRADES AND PAVING TO ACCEPT ANY AND ALL FUEL TRUCKS FOR THE FUEL FARM ACTIVITIES.

APN 958-080-010 (POR.)
GRADING PLAN for GENERAL AVIATION HANGARS
FRENCH VALLEY HANGARS L.L.C
PORTION SW 1/4, SEC. 7, T7S, R3W
RIVERSIDE COUNTY, CALIFORNIA

EXHIBIT A1

rev13sep07