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





FROM: Economic Development Agency

County Executive Office Signature

Policy

 \boxtimes

V

Consent

Per Exec. Ofc.:

SUBMITTAL DATE: December 8, 2009

SUBJECT: Aviation Ground Sublease and Hangar Sale, Jacqueline Cochran Regional Airport

	RE	CO	MMENDED	MOTION: That the	Board of Super	visors:			
i		1.		o the Sublease da , as Sublessor, and					d Betty
urrence		2.		the Bill of Sale date erta Ltd., as Buyer;	d July 15, 2009	, between Y	ost Developmen	t Co., LLC, as Se	eller and
Departmental Concurrence		 Authorize the Chairman of the Board to execute the Consent to Sublease Bill of Sale; and 					and the Conse	nt to the	
	YTE ,	4.		the Assistant Coun required by the Sub	•		or designee to	execute any a	dditional
COUNSEL	BACKGROUND: (Commences on page 2)								
TIND C	ZE!					ert Field stant County	y Executive Offic	er/EDA	
2	Š	FINANCIAL		Current F.Y. Total Cos	st:	\$ 0	In Current Year I	Budget:	No
日到	<i>)</i> ≅		ANCIAL DATA	Current F.Y. Net Coun	ity Cost:	\$ 0	Budget Adjustm	ent:	NA
822	<u> </u>			Annual Net County Co		\$ 0	For Fiscal Year:		9/10
配配	COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No								
FORMA BY:	≰SOURCE OF FUNDS : NA						Positions To Deleted Per A		
Ğ %				·	·			Requires 4/5 V	ote 🗌
	C.E.O. RECOMMENDATION: APPROVE								
Policy	Co	unt	y Executive	Office Signature	Jennif <i>é</i> r L.	Sargént	1		

Prev. Agn. Ref.: 6-6-03 3.11; 9-14-04 3.17; 9-12-06 District: 4th 3.23; 3-17-09 3.16; 5-16-06 3.5; 3-17-09

Agenda Number:

Form 11 - Aviation Ground Sublease and Hangar Sale, Jacqueline Cochran Regional Airport September 29, 2009
Page 2

BACKGROUND:

The Economic Development Agency has received a Sublease dated September 1, 2009, between John Obradovich and Betty Obradovich, as Sublessor, for the land occupied by aircraft storage hangar D6 and a Bill of Sale dated July 15, 2009, between Yost Development Co., LLC, as Seller, and 506063 Alberta Ltd., as Buyer, for aircraft storage hangar D6, located at Jacqueline Cochran Regional Airport, formerly Desert Resorts Regional Airport.

The Sublease is under a nine-acre ground lease between the County of Riverside, as lessor, and John Obradovich and Betty Obradovich, hereinafter Obradovich, as Lessee, dated June 3, 2003, amended by First Amendment to Lease on September 14, 2004, by Second Amendment to Lease on October 23, 2006, and Third Amendment to Lease on March 17, 2009.

The Bill of Sale is for Aircraft Storage hangar and D6 between Yost Development Co., LLC, hereinafter "Yost", as Seller, and 506063 Alberta Ltd., hereinafter "Alberta," as Buyer. On December 18, 2006, Yost entered into a sublease with Sublessor for the land occupied by aircraft storage hangar D6, and bought from Sublessor aircraft storage hangar D6 on the same date.

On July 15, 2009, Yost sold aircraft storage hangar D6 to Alberta. On October 21, 2009, Yost and Sublessor cancelled the Sublease for the land occupied by aircraft storage hangar D6.

On September 1, 2009, Sublessor entered into a new sublease with Alberta for the land occupied by aircraft storage hangar D6.

The Economic Development Agency recommends that the Board of Supervisors consent to the Sublease and the Bill of Sale. County Counsel has review the Sublease and the Bill of Sale and has approved the Consents as to form.

SUB-LEASE WITH SALE OF AVIATION HANGAR

John Obradovich and Betty Obradovich, herein called Sub-Lessor, sub-leases to 506063 Alberta Ltd., a Canada corporation, herein called Sub-Lessee, the property described below, upon the following items and conditions.

RECITALS

Sub-Lessor leases from the County of Riverside, approximately nine (9) acres located at the Jacqueline Cochran Regional Airport, Thermal, in the County of Riverside, State of California.

This and other sub-leases entered into by the Sub-Lessor are intended to conform with, be compatible with, and be subject to the terms and conditions of the Master Lease dated April 24, 2003, executed June 3, 2003, and amended September 14, 2004, and September 12, 2006, and March 17, 2009, between the County of Riverside as Lessor, and John and Betty Obradovich, Husband and Wife, as Lessee which lease and amendments thereto shall be called the "Master Lease" and the County of Riverside shall be called the "County."

By separate document entitled, "Bill of Sale," a copy of which is attached hereto as **Exhibit** "A," Sub-Lessor intends to convey, assign or transfer to Sub-Lessee its (Sub-Lessor's) interest in certain facilities and improvements it owns within the premises sub-leased hereunder.

DESCRIPTION

The premises sub-leased hereby are located within Desert Resorts Regional Airport generally, and within the area leased from County by Sub-Lessor consisting of nine (9) acres and as more particularly shown on **Exhibit "B,"** attached thereto and by this reference, made a part of this sub-lease. The portion of the nine acres being sub-leased is that portion of land occupied in **Building D**, **Hangar # 06** as depicted in **Exhibit "B."** In addition to the forgoing during the term of this lease Sublessor grants to Sublessee the right to ingress and ingress over that portion of the leasehold premises of Sublessor held under the Master Lease and a license to use the taxiway areas as designated by Sublessor.

USE

The premises are sub-leased hereby for the purposes of aircraft storage.

TERM

The term of this sub-lease, subject to any provisions in the Master Lease that may be applicable and take precedence, shall be for a period equal to the portion of thirty (30) years remaining under the Master Lease and terminating on June 30, 2033. Sub-Lessor has an option to extend the term for an additional ten (10) years, as provided in the Master Lease. If the Sub-Lessor extends the lease with the County for the additional ten years, this Sub-Lease shall extend as well for the additional ten years. Nothing in this Sublease shall be interpreted to obligate or require the Sublessor to so extend the term of the Master Lease and Sublessor or its successors and assigns may or may not so extend the term of the Master Lease in its sole and absolute discretion

RENT

Sub-Lessee shall pay to Sub-Lessor the sum of \$75.14 per month, payable in advance, on the first day of each month.

The monthly rent shall be subject to adjustment as of the dates and in the amounts as described in Section 5, paragraphs (d) and (e) of the Master Lease. In no event shall any adjustment be a negative adjustment.

The monthly rent is due and payable on or before the first of the appropriate month during the term of this lease agreement and shall be considered delinquent, if not paid by the 15th of the month. If the monthly rent becomes delinquent, lessee will be charged a late fee equivalent to ten percent (10%) of the delinquent rental amount, exclusive of late fees, for each month that rent is delinquent.

ADDITIONAL OBLIGATIONS OF SUB-LESSEE

Sub-Lessee shall, during the terms of this sub-lease;

Observe and comply with all rules, regulations and laws which govern and are in effect adopted by Sublessor or the County of Riverside. Maintain premises and equipment in a clean, orderly, neat and safe condition.

Pay for all utilities, including trash disposal and a pro rata share of Sublessor's cost of maintaining and insuring the Project, as determined by Sublessor.

SUB-LESSOR'S RESERVED RIGHTS

Sub-Lessor and County, or either duly authorized agents, shall have the right to enter the sub-leased premises for inspections, repairs or for any other reasonable cause.

IMPROVEMENTS, REPAIRS & SIGNS

Sub-Lessee shall not make any improvements, repairs or modifications, paint the exterior of the hangar or install any signs without prior written approval of Sub-Lessor.

INSURANCE

Sub-Lessee shall, during the term of this sub-lease, procure and maintain the following described insurance coverage and limits as indicated.

- a. Procure and maintain comprehensive Airport Commercial General Liability Insurance coverage that shall protect Lessee from claims for damages for personal injury, including accidental and wrongful death, as well as from claims for property damage, which may arise from Lessee's use of the leased premises or the performance of its obligations hereunder, whether such use or performance be by Lessee, by a subcontractor, or by anyone employed directly or indirectly by either of them. Such insurance shall name Sublessor and all Agencies, Districts, Special Districts, and Departments of the County of Riverside, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional Insureds with respect to this sublease and obligations of Sublessee hereunder. Such insurance shall provide for limits of not less than \$1,000,000, per occurrence.
- b. Furnish Sublessor and the County of Riverside with Certificates of Insurance showing that such insurance is in full force and effect, and that additional insureds are named as required in (a) above. Further, said certificates shall contain the covenant of the insurance carrier that 30 days written notice will be given to the County of Riverside and Sublessor prior to cancellation or reduction in coverage of such insurance.
- c. The foregoing notwithstanding, this sublease is subject to Section 20 of the Master Lease and Sub-Lessee shall procure and maintain additional coverages specified therein as may be required by County from time to time.

TERMINATION BY SUB-LESSOR

Sub-Lessor shall have the right to terminate this Sub-Lease.

In the event a petition is filed for voluntary or involuntary bankruptcy, for the adjudication of Sub-Lessee as a debtor.

In the event that Sub-Lessee makes a general assignment, or sub-lessee's interest hereunder is assigned involuntarily or by operation of law for the benefit of creditors.

In the event of any act which operates to deprive Sub-Lessee of the ability to perform its duties under this Sub-Lease.

In the event of the abandonment of, or the discontinuance of the use of, the sub-leased premises by Sub-Lessee.

In the event Sub-Lessee fails to perform, keep or observe any of its duties or obligations hereunder, provided, however, that Sub-Lessee shall have 30 days in which to correct its breach or default after written notice hereof has been served on it by Sub-Lessor.

In the event that the lease premises are rendered unfit for Sub-Lessee's use and cannot be restored within a reasonable time.

TERMINATION BY SUB-LESSEE

Sub-Lessee shall have the right to terminate this Sub-Lease;

In the event a petition is filed for voluntary or involuntary bankruptcy, for the adjudication of Sub-Lessor as a debtor.

In the event that Sub-Lessor makes a general assignment for the benefit of creditors.

In the event of any act which operates to deprive Sub-Lessee of the ability to perform its duties under this lease.

In the event of the abandonment of, or the discontinuance of, the use of the leased premises by Sub-Lessor.

In the event Sub-Lessor fails to perform, keep or observe any of its duties or obligations hereunder, provided, however, that Sub-Lessor shall have 30 days in which to correct its breach or default after written notice hereof has been served on it by Sub-Lessee.

In the event that the leased premises are rendered unfit for Sub-Lessor's use and cannot be restored within a reasonable time.

HOLD HARMLESS

Sub-Lessee shall indemnify and hold Sub-Lessor and County, their officers, agents, employees and independent contractors free and harmless from any liability whatsoever, based or asserted on any act or omission of Sub-Lessee, its officers, agents, employees, subcontractors and independent contractors for property damage, bodily injury, or death (Sub-Lessee's employees included) or any other element of damage or any kind or nature

in any way connected with or arising from its use and responsibilities in connection therewith of the leased premises, or the condition thereof, and Sub-Lessee shall defend at its expense, including attorney fees, Sub-Lessor, County, its officers, agents, employees and independent contractors in any legal action based on any alleged acts or omissions.

ASSIGNMENT

Lessee cannot assign, sublet, mortgage, hypothecate or otherwise transfer in any manner any of its rights, duties and obligations hereunder to any person or entity without the written consent of Sub-Lessor and County being first obtained.

BINDING ON SUCCESSORS

Sub-Lessee, his heirs, assigns and successor in interest shall be bound by all the terms and conditions contained in this sub-lease, and all of the parties thereto shall be jointly and severely liable hereunder.

EMPLOYEES AND AGENTS OF SUB-LESSEE

It is understood that all persons hired or engaged by Sub-Lessee shall be considered to be employees or agents of Sub-Lessee and not of Sub-Lessor or County.

COMPLIANCE WITH LAW

Sub-Lessee shall observe all statutes, rules, regulations, ordinances, and orders relating to the use of the sub-leased premises enacted or promulgated by County, the State of California, the United States of America and the agencies thereof.

WAIVER OF PERFORMANCE

No waiver by Sub-Lessor at any time of any of the terms and conditions of his sub-lease shall be deemed or construed as a waiver at any time thereafter of the same or any other terms and conditions contained herein or of the strict and timely performance of such terms and conditions.

SEVERABILITY

The invalidity of any provision in this sub-lease as determined by a court of competent jurisdiction shall in no way effect the validity of any other provisions hereof.

NOTICES

Any notices required or desired to be served by either party upon the other shall be addressed to the respective parties as set forth below:

SUB-LESSOR:

John & Betty Obradovich 84-401 Cabazon Center Dr. Indio, CA 92201

506063 Alberta Ltd., a Canada corporation Attn: President 5402 – 39139 Highway 2A

SUB-LESSEE:

Red Deed County
Alberta, Canada T4S 2B3

Page 4

or to such other addresses as from time to time shall be designated in writing by the respective parties.

VENUE

Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights for by this sub-lease shall be tried in a court of competent jurisdiction in the County of Riverside, State of California, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other County.

TAXES

Sub-Lessee shall pay for all fees and taxes levied or required by any authorized public entity. Sub-Lessee recognizes and understands that this Sub-Lease will create a possessory interest subject to property taxation and that Sub-Lessee will be subject to the payment of property taxes levied on such interest.

TOXIC MATERIALS

During the term of this sub-lease and any extension thereof, Sub-Lessee shall not violate any federal, state or local law, or ordinance or regulation, relating to industrial hygiene or to the environmental condition on, under or about the sub-leased premises including, but not limited to, soil and ground water conditions. Further, Sub-Lessee, its successors and assigns shall not use, generate, manufacture, produce, store or dispose of, on, under or about the sub-leased premises or transport to or from the sub-leased premises, any flammable explosives, asbestos, radioactive materials, hazardous wastes, toxic substances or related injurious materials, whether injurious by themselves or in combination with other materials (collectively, "hazardous materials"). For the purpose of this sub-lease, hazardous materials shall include, but not be limited to, substances defined as "hazardous substances," "hazardous materials" or "toxic substances," in the Comprehensive Environmental Response, Cleanup and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, 49, U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; and those substances defined as "hazardous wastes" in Section 25117 of the California Health and Safety Code or as "hazardous wastes" in Section 25316 of the California Health and Safety Code; and in the regulations adopted in publications promulgated pursuant to said laws.

FREE FROM LIENS

Sub-Lessee shall pay, when due, all sums of money that may become due for any labor, services, material, supplies, or equipment, alleged to have been furnished or to be furnished to Sub-Lessee, in, upon or about the sub-leased premises, and which may be secured by a mechanic's, materialmen's, or other lien against the sub-leased premises or County's interest therein, and will cause such lien to be fully discharged and released at the time the performance of any obligation secured by such lien natures or becomes due, provided, however, that if Sub-Lessee desires to contest any such lien provided that it either pays the lien or obtains a bond to allow release of said lien, and then it may do so, but notwithstanding any such contest, if such lien shall be reduced to final judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed, and said stay thereafter expires, then and in such event, Sub-Lessee shall forthwith pay and discharge said judgment.

DISPUTES/DAMAGES

In the event it is necessary to enforce or interpret any provision herein contained, or to recover any rent due or to recover possession of the Premises for any default or breach of the Agreement, the matter shall be submitted to binding arbitration conducted by the American Arbitration Association ("AAA") who shall be

selected by mutual agreement of the parties. The Arbitrator shall comply with, and the decision of the Arbitrator shall be rendered in accordance with, the law of the State of California. The Arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages provided by California Law, but shall not have the power to award punitive damages. The parties agree to be bound by the decision of the Arbitrator, which shall be final, shall not be appealable, and which shall allow for no trial de novo on the same issues. The Arbitrator's decision shall be rendered within 30 days following submission of the matter at issue, but the failure to comply with this provision shall in no way invalidate any decision or award as may be rendered more than 30 days after submission.

Judgment upon the decision rendered by the Arbitrator may be entered in any court having proper jurisdiction or applications may be made to such court for judicial acceptance of the award and an Order of Enforcement.

You are agreeing to have any dispute arising out of the matters included in the "Arbitration of Disputes" provision decided by neutral arbitration as provided by California Law, and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. You are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Arbitration of Disputes" provision. If you refuse to submit to Arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California Code of Civil Procedure. Your agreement to this arbitration provision is voluntary.

MASTER LEASE/SURVIVAL OF SUB-LEASE

- a. Sub-Lessee acknowledges and agrees that it shall be bound, and shall otherwise be subject to all of the terms and conditions contained in the Master Lease.
- b. In the event the Master Lease is terminated, Sub-Lessee agrees to keep, observe and perform all of the terms and conditions of the Master Lease on the part of the Sub-Lessor to be kept, observed and performed, and Sub-Lessee's right to possession shall remain in effect as provided in Paragraph 29 of the Master Lease to all intents and purposes as though Sub-Lessee was the original Lessee thereunder; provided, however, that such assumption and agreement shall pertain only to the sub-leased premises and not to the entire leased premises under the Master Lease, and Sub-Lessee, among other things, shall make rental payments to County in an amount equal to such payments which Sub-Lessee is required to pay Sub-Lessor under this sub-lease.

CONSENT BY COUNTY

The parties hereto understand and agree that this Sub-Lease shall not be enforceable by either unless and until consent has been obtained from County in writing.

IN WITNESS WHEREOF, this Sublease is executed on		, 2009.	
SUB-LESSOR:			
John Obradovich	Betty Obradovich	•	
SUB-LESSEE: 506063 Alberta Ltd., a Canada corporation	Dony Condition		
By: Allfallis Its: President			

Page 6

LESSOR:	
COUNTY OF RIVERSIDE	
Ву:	Ву:
Chairman, Board of Supervisors	
Date:	
ATTEST:	FORM APPROVED:
Kecia Harper-Ihem	Pamela J. Walls
Clerk of the Board	County Counsel
Ву:	By: Tyrthia M. Gunich
Deputy	Deputy

The COUNTY of Riverside hereby consents to the foregoing Sub-Lease.

ACKNOWLEDGMENT

State of California	
County of Riverside On	capacity, and that by he instrument.
ACKNOWLEDGMENT	
County of Riverside On	son whose name is ed capacity, and that ed the instrument.
ACKNOWLEDGMENT	
County of Riverside On, 2009, before me, of 506063 Alberta Ltd., a Canada corporation, where the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the with acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and the signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed I certify under PENALTY OF PERJURY under the laws of the State of California that the foretrue and correct. WITNESS my hand and official seal.	thin instrument and that by his/her/their ted the instrument.
Signature	

BILL OF SALE COUPLED WITH SUB-LEASE

Yost Development Co., LLC, hereinafter called the "Seller," hereby sells to 506063 Alberta Ltd., a Canada corporation, hereinafter called the "Buyer," and said Buyer hereby purchases from Seller the property described below, upon the following terms and conditions:

- 1. RECITALS. The Seller owns a concrete floor structure and steel building at Jacqueline Cochran Regional Airport, Thermal, California, Riverside County, more particularly described as **Bldg D**, **Hangar** # **06**, the sale of which is the subject of this Agreement and which is intended to convey title thereto for the sum of \$179,000.
- 2. THIS BILL OF SALE IS SUBJECT TO MASTER LEASE AND COUPLED WITH SUB-LEASE. This Bill of Sale is subject to that certain Master Lease executed by the County of Riverside and John and Betty Obradovich, dated April 24, 2003, executed June 3, 2003, and amended September 14, 2004, and September 12, 2006, and March 17, 2009 (collectively, the "Master Lease"), and which instruments affect directly the uses and purposes to which the aforesaid subject personal property may be put. Furthermore, Seller hereby incorporates in this instrument by reference the terms and conditions of that certain Sub-Lease With Sale of Aviation Hangar executed by the parties hereto concurrently herewith (the "Sublease"). This Bill of Sale shall be effective and enforceable only on the condition that the parties have entered into the Sub-Lease and that the Sub-Lease has been consented to by the County of Riverside.
- 3. WARRANTY OF TITLE. Seller does hereby, for the benefit of Buyer, covenant and agree to warrant and defend title to the aforesaid personal property hereby conveyed, against the just and lawful claims and demands of all persons whomsoever, and Seller further covenants that the aforesaid real property is not subject to liens of any type, including but not limited to liens for unpaid taxes, nor is said personal property subject to a security agreement or financing statement.
- 4. REVERSION OF PROPERTY TO SELLER. The Sub-Lease, with which this Bill of Sale is coupled, provides for a sub-lease period of approximately 30 years with a 10-year option, during which time the Buyer hereto, subject to certain conditions precedent, may sell, rent, assign, convey, hypothecate, or encumber the personal property subject to this instrument, provided further, that upon the expiration of the Sub-Lease or 30 years with a 10-year option lease period, whichever shall first occur, the personal property subject to this Bill of Sale shall revert to John and Betty Obradovich, Sub-Lessor under the Master Lease and Sub-Lessor under the Sub-Lease (hereinafter referred to as the "Sub-Lessor"), or to Sub-Lessor's assignee, or to the County of Riverside, which reversion shall be governed by the terms and conditions of the Master Lease and the terms and conditions of the Sub-Lease between Sub-Lessor and Sub-Lessee. Provided further, that in accordance with the Sub-Lease, Buyer hereunder shall not sell, rent, assign, hypothecate or encumber the personal property subject to this instrument except upon the express written consent of the County of Riverside and the Sub-Lessor or its assignee hereunder, which consent shall not be unreasonably withheld.
- 5. TAX CLAUSE. During the aforementioned period of possession of Buyer of the personal property, Buyer shall be solely responsible for the payment of the personal property and/or possessory interest taxes and all other taxes levied upon the specific structure by the County of Riverside and/or all other lawfully constituted taxing authorities, and said responsibility shall include real property taxes which may be assessed to Seller or Sub-Lessor, or to Sub-Lessor's successor, or to Buyer in connection with the subject property.

6. BUYER'S RIGHT TO TRANSFER PROPERTY AND SURVIVAL OF SUB-LEASE.

a. <u>RIGHT TO TRANSFER</u>. Sub-Lessor hereby consents to and agrees that Buyer may convey, assign, or transfer Buyer's interest in or to the subject personal property to one or more individuals; provided however, that such conveyance, assignment, or transfer includes the Sub-Lease and shall be subject to the prior written approval of the County of Riverside and of the Sub-Lessor, which approval shall not be unreasonably withheld. In addition, Sub-Lessor shall have the right of first refusal to purchase, lease, rent, or receive Buyer's interest in the subject personal

property and the subleasehold estate of Buyer on the same terms as offered by Buyer to any other individual or entity (the "Offered Terms"). Buyer shall give Sub-Lessor written notice of the Offered Terms. Sub-Lessor's failure to exercise its right of first refusal by giving written notice to Buyer of its exercise of such right within five (5) days of receipt of written notice of the Offered Terms from Buyer shall be deemed to be a waiver of such right of first refusal by Sub-Lessor. Upon such deemed waiver or an express rejection by Sub-Lessor, Buyer may proceed to convey, assign or transfer all of part of his/her/its interest in the subject personal property on the Offered Terms; provided, however, that Buyer shall not, except with Sub-Lessor's permission, convey, lease, rent or sell any portion of the premises to any commercial operations for the purpose of doing any business at Jacqueline Cochran Regional Airport (Thermal) other than if said sale is to the Sub-Lessor.

- b. <u>SURVIVAL OF SUB-LEASE</u>. Subject to the provision of the Master Lease, Buyer's rights, including the right of possession and all other rights not in conflict with the terms and conditions of the Master Lease, and all of the Buyer's obligations and duties under the Sub-Lease and the Master Lease, shall remain in effect, notwithstanding a termination of the Master Lease, or an assignment or a transfer of the Sub-Lessor's rights, duties and obligations hereunder, prior to the expiration of the aforementioned Sub-Lease, provided that the Buyer (as Sub-Lessee under the Sub-Lease) has fully and faithfully performed the terms and conditions that it is required to perform under the Sub-Lease and Master Lease, and it otherwise is not in default hereunder.
- 7. NOTICES. Any notices required or desired to be served by either party upon the other shall be addressed to the respective party as set forth below:

SELLER:

Yost Development Co., LLC

BUYER:

506063 Alberta Ltd., a Canada corporation Attn. President 5402 – 39139 Highway 2A Red Deer County Alberta, Canada T4S 2B3

or such other addresses as from time to time shall be assigned by the respective parties.

- 8. TERMS. The terms of this Bill of Sale shall be governed by and construed in accordance with the laws of the State of California and the parties hereto stipulate to the jurisdiction of the Riverside County courts.
- 9. DISPUTES/DAMAGES. In the event it is necessary to enforce or interpret any provision herein contained, the matter shall be submitted to binding arbitration conducted by the American Arbitration Association ("AAA") who shall be selected by mutual agreement of the parties. The Arbitrator shall comply with, and the decision of the Arbitrator shall be rendered in accordance with the laws of the State of California. The Arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages provided by California Law, but shall not have the power to award punitive damages. The parties agree to be bound by the decision of the Arbitrator, which shall be final, shall not be appealable, and which shall allow for no trial de novo on the same issues. The Arbitrator's decision shall be rendered within 30 days following submission of the matter at issue, but the failure to comply with this provision shall in no way invalidate any decision or award as may be rendered more than 30 days after submission.

Judgment upon the decision rendered by the arbitrator may be entered in any court having proper jurisdiction or applications may be made to such court for judicial acceptance of the award and an Order of Enforcement. The parties hereby agree to have any dispute arising out of the matters included in the "Arbitration of Disputes" provision decided by neutral arbitration as provided by California Law and are giving up any rights to have the dispute litigated in a court or

jury trial, as well as judicial rights to discovery and appeal, unless those rights are specifically included in the "Arbitration of Disputes" provision. Your agreement to this arbitration provision is voluntary. SELLER: Yost Development Co., LLC Duane Yost, Manager **BUYER:** 506063 Alberta Ltd., a Canada corporation **SUB-LESSOR:** John Obradovich Betty Obradovich The COUNTY of Riverside hereby consents to the foregoing Bill of Sale. **MASTER LESSOR:** COUNTY OF RIVERSIDE By: _____ Chairman, Board of Supervisors Date: FORM APPROVED: ATTEST: Pamela J. Walls Kecia Harper-Ihem County Counsel Clerk of the Board

Deputy

ACKNOWLEDGMENT

State of Galifornia Idaho
County of Riverside GONNEVILLE On 8 -21 , 2009, before me, Gonney evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct. WITNESS my hand and official seal.
Signature July Bennett

ACKNOWLEDGMENT

State of California					
County of Riverside					
On	, 2009, before me,			y Public, persor	
				a Canada corp	
roved to me on the basis of	of satisfactory evidence to be	the person whose name	s subscribed to	o the within in	istrument a
knowledged to me that he/s	he executed the same in his/he	r authorized capacity, and th	at by his/her si	gnature on the i	nstrument t
	alf of which the person acted, e				
I certify under PENA	LTY OF PERJURY under the	laws of the State of Califo	rnia that the for	regoing paragra	ph is true a
		laws of the State of Callio	titte tries the io.		
•	ierr or renjour under in	, laws of the State of Cultio	ind that the lo	, , , , , , , , , , , , , , , , , , ,	
orrect.		laws of the state of Camo	ina that the io	-88 F8	
The state of the s		, laws of the state of Came	ina mat mo 10		
orrect.		, laws of the state of Came			
orrect.		, laws of the state of Came			
orrect.				- 5 6	
orrect.		Signature		- 8 8 F 9	•
errect.				- 8 8 F 19	
orrect.				- 8 8 F 9	• • • • • • • • • • • • • • • • • • •
orrect.				- 8 8 F 9	
orrect.					

LEASE CANCELLATION AGREEMENT JACQUELINE COCHRAN REGIONAL AIRPORT

WHEREAS, John Obradovich and Betty Obradovich, hereinafter Sublessor, ar
Yost Development Co., LLC as entered into that certain Subleas
dated 12/18/06, attached hereto as Exhibit A, and by this reference incorporate
herein, relating to land located at Jacqueline Cochran Regional Airport (formerly Desert Resor
Regional Airport), Riverside County, California; and
WHERAS, Sublessor improved the land with a 4,200 square foot aircraft storage hanga
and
WHEREAS, Sublessor sold the improvements to Sublessee; and
WHEREAS, Sublessee has subsequently sold the improvements to a third party; and
WHEREAS, Sublessor and Sublessee find it in their mutual best interests to cancel the
Lease;
NOW, THEREFORE, the parties hereto for good and valuable consideration do mutua
agree to cancel the Lease effective the date of execution of this agreement by all parties.
Date: 10/21/09 SUBLESSEE
By: Dune 2 You
<u>Duane Yost, Yost Development Co. , LLC</u>
Date: U/2/04 SUBLESSOR By: Agnn Obradovich
By: <u>Setty Obradovzik</u> Betty Obradovich

GENERAL CALIFORNIA ACKNOWLEDGEMENT

STATE OF CALIFORNIA	
COUNTY OF BIVERSIDE	
on Nov 2,2009 before me, Diana C. Delgado, Notary P	liblic
personally appeared John Obradovich & Betty Obra	idovich
who proved to me on the basis of satisfactory evidence to be the person(s) whose	name(s) is/are

subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the person(s) or the entity upon behalf of which the person(s) acted, executed the Instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

DIANA C. DELGADO
Commission # 1621598
Notary Public - California
Riverside County
My Comm. Expires Nov 14, 2009

GENERAL ACKNOWLEDGEMENT (name of state)	
STATE OF JOAN	
COUNTY OF <u>boseville</u>	
on Cot21, 2009 before me, <u>hebice fudy</u>	
personally appeared <u>Maned Hot</u>	_
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/as subscribed to the within instrument and acknowledged to me that he/she/they executed the same his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the Instrument.	in
I certify under PENALTY OF PERJURY under the laws of the State of that the foregoing paragraph is true and correct.	ıe
WITNESS my hand and official seal.	
Signature MY COMMISSION EXPIRES April 17, 2015 BONDED THRU NOTARY PUBLIC UNDERWRITERS MY COMMISSION EXPIRES April 17, 2015	

Exhibit A

SUB-LEASE WITH SALE OF AVIATION HANGAR

John Obradovich and Betty Obradovich, herein called Sub-Lessor, sub-leases to <u>Yost Development Co.</u> <u>LLC</u> herein called Sub-Lessee, the property described below, upon the following items and conditions.

RECITALS

Sub-Lessor leases from the County of Riverside, approximately nine (9) acres located at the Jacqueline Cochran Regional Airport, Thermal, in the County of Riverside, State of California.

This and other sub-leases entered into by the Sub-Lessor are intended to conform with, be compatible with, and be subject to the terms and conditions of the Master Lease dated April 24, 2003, executed June 3, 2003, and amended September 14, 2004, and September 12, 2006 between the County of Riverside as Lessor, and John and Betty Obradovich, Husband and Wife, as Lessee which lease and amendments thereto shall be called the "Master Lease" and the County of Riverside shall be called the "County."

By separate document entitled, "Bill of Sale," a copy of which is attached hereto as **Exhibit** "A," Sub-Lessor intends to convey, assign or transfer to Sub-Lessee its (Sub-Lessor's) interest in certain facilities and improvements it owns within the premises sub-leased hereunder.

DESCRIPTION

The premises sub-leased hereby are located within Desert Resorts Regional Airport generally, and within the area leased from County by Sub-Lessor consisting of nine (9) acres and as more particularly shown on **Exhibit** "B," attached thereto and by this reference, made a part of this sub-lease. The portion of the nine acres being sub-leased is that portion of land occupied in **Building** D Hangar # 6 as depicted in **Exhibit** "B." In addition to the forgoing during the term of this lease Sublessor grants to Sublessee the right to ingress and ingress over that portion of the leasehold premises of Sublessor held under the Master Lease and a license to use the taxiway areas as designated by Sublessor.

USE

The premises are sub-leased hereby for the purposes of aircraft storage.

TERM

The term of this sub-lease, subject to any provisions in the Master Lease that may be applicable and take precedence, shall be for a period equal to the portion of thirty (30) years remaining under the Master Lease and terminating on June 30, 2033. Sub-Lessor has an option to extend the term for an additional ten (10) years, as provided in the Master Lease. If the Sub-Lessor extends the lease with the County for the additional ten years, this Sub-Lease shall extend as well for the additional ten years. Nothing in this Sublease shall be interpreted to obligate or require the Sublessor to so extend the term of the Master Lease and Sublessor or its successors and assigns may or may not so extend the term of the Master Lease in its sole and absolute discretion

RENT

Sub-Lessee shall pay to Sub-Lessor the sum of \$\frac{1}{2} \quad per month, payable in advance, on the first day of each month.

The monthly rent shall be subject to adjustment as of the dates and in the amounts as described in Section 5, paragraphs (d) and (e) of the Master Lease. In no event shall any adjustment be a negative adjustment.

The monthly rent is due and payable on or before the first of the appropriate month during the term of this lease agreement and shall be considered delinquent, if not paid by the 15th of the month. If the monthly rent becomes delinquent, lessee will be charged a late fee equivalent to ten percent (10%) of the delinquent rental amount, exclusive of late fees, for each month that rent is delinquent.

ADDITIONAL OBLIGATIONS OF SUB-LESSEE

Sub-Lessee shall, during the terms of this sub-lease;

Observe and comply with all rules, regulations and laws which govern and are in effect adopted by Sublessor or the County of Riverside. Maintain premises and equipment in a clean, orderly, neat and safe condition.

Pay for all utilities, including trash disposal and a pro rata share of Sublessor's cost of maintaining and insuring the Project, as determined by Sublessor.

SUB-LESSOR'S RESERVED RIGHTS

Sub-Lessor and County, or either duly authorized agents, shall have the right to enter the sub-leased premises for inspections, repairs or for any other reasonable cause.

IMPROVEMENTS, REPAIRS & SIGNS

Sub-Lessee shall not make any improvements, repairs or modifications, paint the exterior of the hangar or install any signs without prior written approval of Sub-Lessor.

INSURANCE

Sub-Lessee shall, during the term of this sub-lease, procure and maintain the following described insurance coverage and limits as indicated.

- a. Procure and maintain comprehensive General Liability Insurance coverage that shall protect Lessee from claims for damages for personal injury, including accidental and wrongful death, as well as from claims for property damage, which may arise from Lessee's use of the leased premises or the performance of its obligations hereunder, whether such use or performance be by Lessee, by a subcontractor, or by anyone employed directly or indirectly by either of them. Such insurance shall name Sublessor and all Agencies, Districts, Special Districts, and Departments of the County of Riverside, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representatives as Additional Insureds with respect to this sublease and obligations of Sublessee hereunder. Such insurance shall provide for limits of not less than \$1,000,000, per occurrence.
- b. Furnish Sublessor and the County of Riverside with Certificates of Insurance showing that such insurance is in full force and effect, and that additional insureds are named as required in (a) above. Further, said certificates shall contain the covenant of the insurance carrier that 30 days written notice will be given to the County of Riverside and Sublessor prior to cancellation or reduction in coverage of such insurance.

TERMINATION BY SUB-LESSOR

Sub-Lessor shall have the right to terminate this Sub-Lease.

In the event a petition is filed for voluntary or involuntary bankruptcy, for the adjudication of Sub-Lessee as a debtor.

In the event that Sub-Lessee makes a general assignment, or sub-lessee's interest hereunder is assigned involuntarily or by operation of law for the benefit of creditors.

In the event of any act which operates to deprive Sub-Lessee of the ability to perform its duties under this Sub-Lease.

In the event of the abandonment of, or the discontinuance of the use of, the sub-leased premises by Sub-Lessee.

In the event Sub-Lessee fails to perform, keep or observe any of its duties or obligations hereunder, provided, however, that Sub-Lessee shall have 30 days in which to correct its breach or default after written notice hereof has been served on it by Sub-Lessor.

In the event that the lease premises are rendered unfit for Sub-Lessee's use and cannot be restored within a reasonable time.

TERMINATION BY SUB-LESSEE

Sub-Lessee shall have the right to terminate this Sub-Lease;

In the event a petition is filed for voluntary or involuntary bankruptcy, for the adjudication of Sub-Lessor as a debtor.

In the event that Sub-Lessor makes a general assignment for the benefit of creditors.

In the event of any act which operates to deprive Sub-Lessee of the ability to perform its duties under this lease.

In the event of the abandonment of, or the discontinuance of, the use of the leased premises by Sub-Lessor.

In the event Sub-Lessor fails to perform, keep or observe any of its duties or obligations hereunder, provided, however, that Sub-Lessor shall have 30 days in which to correct its breach or default after written notice hereof has been served on it by Sub-Lessee.

In the event that the leased premises are rendered unfit for Sub-Lessor's use and cannot be restored within a reasonable time.

HOLD HARMLESS

Sub-Lessee shall indemnify and hold Sub-Lessor and County, their officers, agents, employees and

independent contractors free and harmless from any liability whatsoever, based or asserted on any act or omission of Sub-Lessee, its officers, agents, employees, subcontractors and independent contractors for property damage, bodily injury, or death (Sub-Lessee's employees included) or any other element of damage or any kind or nature in any way connected with or arising from its use and responsibilities in connection therewith of the leased premises, or the condition thereof, and Sub-Lessee shall defend at its expense, including attorney fees, Sub-Lessor, County, its officers, agents, employees and independent contractors in any legal action based on any alleged acts or omissions.

ASSIGNMENT

Lessee cannot assign, sublet, mortgage, hypothecate or otherwise transfer in any manner any of its rights, duties and obligations hereunder to any person or entity without the written consent of Sub-Lessor and County being first obtained.

BINDING ON SUCCESSORS

Sub-Lessee, his heirs, assigns and successor in interest shall be bound by all the terms and conditions contained in this sub-lease, and all of the parties thereto shall be jointly and severely liable hereunder.

EMPLOYEES AND AGENTS OF SUB-LESSEE

It is understood that all persons hired or engaged by Sub-Lessee shall be considered to be employees or agents of Sub-Lessee and not of Sub-Lessor or County.

COMPLIANCE WITH LAW

Sub-Lessee shall observe all statutes, rules, regulations, ordinances, and orders relating to the use of the sub-leased premises enacted or promulgated by County, the State of California, the United States of America and the agencies thereof.

WAIVER OF PERFORMANCE

No waiver by Sub-Lessor at any time of any of the terms and conditions of his sub-lease shall be deemed or construed as a waiver at any time thereafter of the same or any other terms and conditions contained herein or of the strict and timely performance of such terms and conditions.

SEVERABILITY

The invalidity of any provision in this sub-lease as determined by a court of competent jurisdiction shall in no way effect the validity of any other provisions hereof.

NOTICES

Any notices required or desired to be served by either party upon the other shall be addressed to the respective parties as set forth below:

SUB-LESSOR:

John and Betty Obradovich 84-401 Cabazon Center Drive Indio, CA 92201

SUB-LESSEE:

Yost Development Co. LLC PO Box 2095 Idaho Falls, ID 83403

or to such other addresses as from time to time shall be designated in writing by the respective parties.

VENUE

Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights for by this sub-lease shall be tried in a court of competent jurisdiction in the County of Riverside, State of California, and the parties hereby waive all provisions of law providing for a change of venue in such proceedings to any other County.

TAXES

Sub-Lessee shall pay for all fees and taxes levied or required by any authorized public entity. Sub-Lessee recognizes and understands that this Sub-Lessee will create a possessory interest subject to property taxation and that Sub-Lessee will be subject to the payment of property taxes levied on such interest.

TOXIC MATERIALS

During the term of this sub-lease and any extension thereof, Sub-Lessee shall not violate any federal, state or local law, or ordinance or regulation, relating to industrial hygiene or to the environmental condition on, under or about the sub-leased premises including, but not limited to, soil and ground water conditions. Further, Sub-Lessee, its successors and assigns shall not use, generate, manufacture, produce, store or dispose of, on, under or about the sub-leased premises or transport to or from the sub-leased premises, any flammable explosives, asbestos, radioactive materials, hazardous wastes, toxic substances or related injurious materials, whether injurious by themselves or in combination with other materials (collectively, "hazardous materials"). For the purpose of this sub-lease, hazardous materials shall include, but not be limited to, substances defined as "hazardous substances," "hazardous materials" or "toxic substances," in the Comprehensive Environmental Response, Cleanup and Liability Act of 1980, as amended, 42 U.S.C. § 9601, et seq.; the Hazardous Materials Transportation Act, 49, U.S.C. § 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq.; and those substances defined as "hazardous wastes" in Section 25117 of the California Health and Safety Code; and in the regulations adopted in publications promulgated pursuant to said laws.

FREE FROM LIENS

Sub-Lessee shall pay, when due, all sums of money that may become due for any labor, services, material, supplies, or equipment, alleged to have been furnished or to be furnished to Sub-Lessee, in, upon or about the sub-leased premises, and which may be secured by a mechanic's, materialmen's, or other lien against the sub-leased premises or County's interest therein, and will cause such lien to be fully discharged and released at the time the performance of any obligation secured by such lien natures or becomes due, provided, however, that if Sub-Lessee desires to contest any such lien provided that it either pays the lien or obtains a bond to allow release of said lien, and then it may do so, but notwithstanding any such contest, if such lien shall be reduced to final judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so

stayed, and said stay thereafter expires, then and in such event, Sub-Lessee shall forthwith pay and discharge said judgment.

DISPUTES/DAMAGES

In the event it is necessary to enforce or interpret any provision herein contained, or due or to recover possession of the Premises for any default or breach of the Agreement, the submitted to binding arbitration conducted by the American Arbitration Association ("AAA") who shall be selected by mutual agreement of the parties. The Arbitrator shall comply with, and the decision of the Arbitrator shall be rendered in accordance with, the law of the State of California. The Arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages provided by California Law, but shall not have the power to award punitive damages. The parties agree to be bound by the decision of the Arbitrator, which shall be final, shall not be appealable, and which shall allow for no trial de novo on the same issues. The Arbitrator's decision shall be rendered within 30 days following submission of the matter at issue, but the failure to comply with this provision shall in no way invalidate any decision or award as may be rendered more than 30 days after submission.

Judgment upon the decision rendered by the Arbitrator may be entered in any court having proper jurisdiction or applications may be made to such court for judicial acceptance of the award and an Order of Enforcement.

You are agreeing to have any dispute arising out of the matters included in the "Arbitration of Disputes" provision decided by neutral arbitration as provided by California Law, and you are giving up any rights you might possess to have the dispute litigated in a court or jury trial. You are giving up your judicial rights to discovery and appeal, unless those rights are specifically included in the "Arbitration of Disputes" provision. If you refuse to submit to Arbitration after agreeing to this provision, you may be compelled to arbitrate under the authority of the California Code of Civil Procedure. Your agreement to this arbitration provision is voluntary.

MASTER LEASE/SURVIVAL OF SUB-LEASE

- a. Sub-Lessee acknowledges and agrees that it shall be bound, and shall otherwise be subject to all of the terms and conditions contained in the Master Lease.
- b. In the event the Master Lease is terminated, Sub-Lessee agrees to keep, observe and perform all of the terms and conditions of the Master Lease on the part of the Sub-Lessor to be kept, observed and performed, and Sub-Lessee's right to possession shall remain in effect as provided in Paragraph 29 of the Master Lease to all intents and purposes as though Sub-Lessee was the original Lessee thereunder; provided, however, that such assumption and agreement shall pertain only to the sub-leased premises and not to the entire leased premises under the Master Lease, and Sub-Lessee, among other things, shall make rental payments to County in an amount equal to such payments which Sub-Lessee is required to pay Sub-Lessor under this sub-lease.

CONSENT BY COUNTY

The parties hereto understand and agree that this Sub-Lease shall not be enforceable by either unless and until consent has been obtained from County in writing.

IN WITNESS WHEREOF, this Sublease is execut	ted on	, 2006.
SUB-LESSOR? Al Oler	Setty Obraclov.	th
John Obradovich	Betty Obradovich	
SUB-LESSEE:	112 t 9m	
Signature	Printed Name and Title	enager
The COUNTY of Riverside hereby consents to the fore	egoing Sub-Lease.	
LESSOR:		
By: Chairman, Board of Supervisors	Ву:	
Date:		
ATTEST:	FORM APPROVED:	
Nancy Romero,	Joe S. Rank,	
Clerk of the Board	County Counsel	
By and Tehlemon	By: Gordon V. Ubo	5/2/07
Deputy	Deputy	

Deputy

STATE OF CALIFORNIA) SS.	
COUNTY OF RIVERSIDE)	
on <u>December 18</u> , 2006, before me, Diana C. Delgaclo, Notary Dublic, John Obradovich & Betty Obralovic	personally appeared
personally known to me (or proved to me on the basis of satisfactory evidence) to be the per	1
is/are subscribed to the within instrument and acknowledged to me that he/she/they execute	
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument	t the person(s), or the
entity upon behalf of which the person(s) acted, executed the instrument.	
WITNESS my hand and official seal. DIANA C. DELGADO Notary Public	
Commission # 1621598 Notary Public - California Riverside County My Comm. Expires Nov 14, 2009	
STATE OF CALIFORNIA) SS. COUNTY OF RIVERSIDE)	
On, 2006, before me,	
	personally appeared
nersonally known to me (or proved to me on the baring of the control of the contr	
personally known to me (or proved to me on the basis of satisfactory evidence) to be the persis/are subscribed to the within instrument and acknowledged to me that he/she/they executed	
his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument	
entity upon behalf of which the person(s) acted, executed the instrument.	me person(s), or the
1 Paragraphic and paragraphic action, executed the histiument.	
WITNESS my hand and official seal.	
Notary Public	

COUNTY OF RIVERSIDE

On this 22nd day of May in the year 2007, before me, Sandi Schlemmer, Deputy Clerk of the Board of Supervisors, Riverside County, State of California, and for said County and State, personally appeared John Tavaglione personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who whose name subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity on behalf of which the person acted, executed this instrument.

WITNESS my hand and official seal.

Nancy Romero, Clerk of the Board of Supervisors

(SEAL)