

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

610



**FROM:** Economic Development Agency

**SUBMITTAL DATE:**  
January, 19, 2012

**SUBJECT:** Aviation Ground and Hangar Sublease, Hemet-Ryan Airport

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Consent to the Cancellation of Sublease dated May 3, 2011, from Bachelor Mountain Group, LLC, as Sublessor, to Pacific Commerce Company, Inc., as Sublessee;
2. Consent to Bill of Sale, dated September 22, 2011, from Pacific Commerce Company, Inc. as Seller, to Loren Gallagher as Buyer;
3. Consent to the Sublease, dated September 22, 2011, from Bachelor Mountain Group, LLC, as Sublessor, to Loren Gallagher, as Sublessee; and

(Continued)

Robert Field  
Assistant County Executive Officer/EDA

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2011/12

**COMPANION ITEM ON BOARD OF DIRECTORS AGENDA:** No

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

**C.E.O. RECOMMENDATION:** APPROVE

BY:   
Jennifer Sargent

**County Executive Office Signature**

FORM APPROVED COUNTY COUNSEL  
BY: ANITA C. WILLIS  
DATE: 1-12-12  
Departmental Concurrence

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

Prev. Agn. Ref.: 3.21 of 9/15/09, 3.10 of 5/3/11

District: 3

Agenda Number:

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

3.6

**RECOMMENDED MOTION:** (Continued)

4. Authorize the Assistant County Executive Officer/EDA, or designee, to execute any additional documents required by the Sublease.

**BACKGROUND:**

The Economic Development Agency has received a Consent to Cancellation of Sublease and Consent to Bill of Sale, between Bachelor Mountain Group, LLC (BMG) as Sublessor, and Pacific Commerce Company, Inc. (PCC), as Sublessee. The Sublease is for the land occupied with aircraft storage hangar known as Hangar 9D.

The Sublease is under a six and 56/100 acre ground lease dated September 15, 2009, between the County of Riverside, as Lessor, and Bachelor Mountain Group, LLC, as Lessee.

On September 22, 2011, PCC sold said hangar to Loren Gallagher (Gallagher). BMG simultaneously entered into a new sublease with Gallagher for the land occupied by aircraft storage hangar known as Hangar 9D.

The Economic Development Agency recommends that the Board of Supervisors consent to the Consent to Cancellation Sublease, Consent to Bill of Sale and subsequent Consent to Sublease. County Counsel has reviewed and approved the attached documents as to legal form.

## CONSENT TO SUBLEASE

The County of Riverside, a political subdivision of the State of California (Lessor) hereby consents to the foregoing Sublease with Consent of Sublessor, for Hangar 9D, between Bachelor Mountain Group, LLC as Sublessor, and Loren Gallagher, as Sublessee, without however waiving the restrictions contained in the Master Lease, between the County of Riverside, as Lessor, and Bachelor Mountain Group, LLC, as Lessee, dated September 15, 2009, described as six and 56/100 (6.56) acres of land at the Hemet-Ryan Airport, with respect to any future assignments thereunder, and without releasing the Sublessor under said Sublease from any obligations that are not performed by Loren Gallagher, and otherwise accepts the Sublessee, Loren Gallagher, under said Sublease.

Date: \_\_\_\_\_

COUNTY OF RIVERSIDE

A political subdivision of the State of California

By: \_\_\_\_\_

Chairman, Board of Supervisors

APPROVED AS TO FORM:

Pamela J. Walls, County Counsel

By:  \_\_\_\_\_

Anita C. Willis, Deputy

SUBLEASE AGREEMENT – LAND ONLY  
HEMET-RYAN AIRPORT

This Sublease Agreement (“Sublease”) is entered into as of November 01, 2011, by and between Bachelor Mountain Group, LLC (“Sub-Lessor”), and Gallagher Family Trust, (“Sub-Lessee”). In consideration of the payment of rent and the performance of the covenants and conditions hereinafter contained, the parties mutually agree as follows:

1. Recitals.

(a) This Sublease, notwithstanding its designation, is a Sublease subject to the terms and provisions of a certain “Master Lease”, dated June 4, 2009, between the County of Riverside, as Lessor, and Bachelor Mountain Group, LLC as Lessee, consisting of approximately 6.56 acres of land and as such terms and provisions may now or hereafter be in effect through any amendment to or replacement or substitution for said Master Lease. Sub-Lessee agrees to abide by the provisions of said Master Lease, as amended, substituted or replaced. A copy of said Master Lease shall be maintained at Sub-Lessor’s offices as set forth in Section 1(b) hereof and may be inspected by Sub-Lessee during normal business hours.

(b) Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this Sublease or by law to be served on or given to either party to this Sublease by the other party shall 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 Sub-Lessor at 27755 Tangelo Ave., Hemet, California 92544 or to Sub-Lessee at the address set forth in Section 30 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.

2. Description. "Premises" refers to the area of land where hangar number 9D is located within the Bachelor Mountain Group, LLC leasehold, located at Hemet-Ryan Airport in the County of Riverside, California and consist of approximately 3600 square feet, as more particularly shown on Exhibit A, attached hereto and by this reference made a part of this Sublease.

3. Use. The premises are leased hereby for the purpose of maintaining said hangar therein for aircraft storage and aircraft supporting equipment in connection therein. No other use will be permitted without first obtaining written permission from Sub-Lessor. The aircraft to be stored in the premises is described as follows:

Make & Model:	Beech A36	Piper Aztec
Identification Number:	N35LG	N6769Y

Should the aircraft stored in the hangar be replaced with another aircraft owned by Sub-Lessee or with a Sub-Lessee's aircraft, Sub-Lessee agrees to notify Sub-Lessor within ten (10) days and supply Sub-Lessor with the Make, Model and Identification of the replacement aircraft. In addition, Sub-Lessee shall provide, or shall cause Sub-Lessee to provide, all required Certificates of Insurance, endorsements and any other documentation required herein with respect to the replacement aircraft being stored in the hangar.

4. Term. The term of this Sublease shall commence on November 01, 2011 and shall continue thereafter for a term that is co-terminus with the Sub-Lessor's occupancy rights under the Master Lease, including any extensions thereof, and subject to any provisions of the Master Lease that may be applicable and take precedence.

5. Basic Rent.

(a) Sub-Lessee shall pay to the Sub-Lessor the sum of \$253.00 per month, which is the current basic monthly rent paid by Sub-Lessee.

(b) The basic month rent is due and payable on or before the first day of the appropriate month during the term of the Sublease Agreement and shall be considered delinquent, if not paid by the 15<sup>th</sup> of the month. If the monthly rent becomes delinquent, Sub-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.

(c) Should Sub-Lessee remain in possession pursuant to this Sublease for one (1) year or more, the rent specified shall be increased on July 1 of every year thereafter by the same percentage as the increase in the Consumer Price Index, All Urban Consumers, Los Angeles-Riverside-Orange County Index, for the twelve (12) month period ending three (3) months prior to the anniversary date. Nothing herein shall be deemed to provide for any reduction in the existing amount of current rent.

(d) Beginning on July 1, 2015 and every fifth (5<sup>th</sup>) year thereafter, the annual rent amount shall be adjusted in accordance with paragraph 6 (b)(1) of the Master Lease. Once established, said rent shall be adjusted annually in the manner set forth in paragraph 5(c) herein above. The adjustments shall be limited to the Subleased Premises and shall exclude any and all capital improvements constructed by Sub-Lessee. In no event shall any adjustment be a negative adjustment.

6. Security Deposit.

Prior to the commencement date of this Sublease, Sub-Lessee shall deposit with Sub-Lessor the sum of \$ 0 as security for the full and faithful performance of each and every term, provision, covenant and condition of the Sublease. Said security deposit shall be remitted by either cash or cashier's check. Sub-Lessor agrees to refund the security deposit or to render an accounting of Sub-Lessor's complete or partial use thereof within fourteen (14) days following Sub-Lessee's surrender of the Premises.

7. Improvements.

(a) No alterations, improvements or installations of fixtures of any kind whatsoever shall be undertaken by Sub-Lessee, unless Sub-Lessee has first obtained written approval thereof from Sub-Lessor and County. Sub-Lessee understands and agrees that such improvements, alterations and installations of fixtures may be subject to County Ordinance numbers 348 and 457, as well as other applicable County Ordinances, and that Sub-Lessee shall fully comply with

such ordinances prior to the commencement of any construction in connection therewith.

8. Restrictions.

(a) Sub-Lessee shall not use the Subleased premises or store any personal property therein or thereon, for the purpose of conducting any activity upon or within the Hemet-Ryan Airport premises for which any form of remuneration is expected or received unless such activity is permitted under a separate agreement or Sublease between Sub-Lessor and Sub-Lessee.

(b) Sub-Lessee shall not fuel or defuel an aircraft inside or upon the Subleased premises or within twenty-five (25) feet of any hangar. Sub-Lessee shall not store any highly volatile materials including, but not limited to, paint products and aviation fuels, within or outside of the Subleased premises; provided, however, that Sub-Lessee may store fuel in his/her aircraft's fuel tanks.

9. Ingress and Egress. Sub-Lessee shall be permitted ingress and egress to and from the Subleased premises through established gates and/or over such routes as are designated by Sub-Lessor.

10. Utilities. Sub-Lessor shall provide, or cause to be provided, all water and electrical services as may be required in the use of the Subleased premises; provided, however, that Sub-Lessee shall pay to Sub-Lessor for all such electrical service, upon accounting and billing therefore by Sub-Lessor to Sub-Lessee. Sub-Lessee shall provide and pay for all other utility services that it may require or desire in his/her use of the Subleased premises.

11. Maintenance. Sub-Lessee shall maintain the Subleased premises in a neat, safe, orderly and attractive manner during the term of this Sublease. Sub-Lessee shall deposit all waste, rubbish and debris in receptacles provided by Sub-Lessor in the vicinity of the hangars; provided, however, that crank case drainages and other liquids shall be removed from the airport premises.

12. Inspection of Premises. Sub-Lessor, through its duly authorized agents, shall have, at any time during normal business hours, the right to enter the Subleased premises for the purpose of inspecting, monitoring and evaluating

the obligations of Sub-Lessee hereunder and for the purpose of doing any and all things which it is obligated and has a right to do under this Sublease.

13. Quiet Enjoyment. Sub-Lessee shall have, hold and quietly enjoy the use of the Subleased premises so long as he/she shall fully and faithfully perform the terms and conditions that he/she is required to do under this Sublease.

14. Compliance with Government Regulations.

(a) Sub-Lessee shall, at Sub-Lessee's sole cost and expense, comply with the requirements of all local, state and federal statutes, regulations, rules, ordinances and orders now in force or which may be hereafter in force, pertaining to the Subleased premises. The final judgment, decree or order of any Court of competent jurisdiction, or the admission of the Sub-Lessee in any action or proceedings against Sub-Lessee, whether Sub-Lessee be a party thereto or not, that Sub-Lessee has violated any such statutes, regulations, rules, ordinances, or orders, in the use of the Subleased premises, shall be conclusive of that fact between Sub-Lessor and Sub-Lessee.

(b) This Sublease is subject to the provisions set forth in Exhibit B (Federally Required Lease Provisions), attached hereto and by this reference made a part of this Sublease.

15. Termination by Sub-Lessor. Sub-Lessor shall have the right to terminate this Sublease forthwith:

(a) In the event a petition is filed for voluntary or involuntary bankruptcy for the adjudication of Sub-Lessee as a debtor;

(b) 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;

(c) In the event of abandonment of the Subleased premises by Sub-Lessee.

(d) In the event Sub-Lessee fails or refuses to perform, keep or observe any of Sub-Lessee's duties or obligations hereunder except his/her rental obligations; provided, however, that Sub-Lessee shall have thirty (30) days



in which to correct Sub-Lessee's breach or default after written notice thereof has been served on Sub-Lessee by Sub-Lessor.

(e) In the event Sub-Lessee fails, or refuses, to meet his/her rental obligations, or any of them, hereunder or as otherwise provided by law.

16. Termination by Sub-Lessee. Sub-Lessee shall have the right to terminate this Sublease 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 thirty (30) days in which to correct its breach or default after written notice thereof has been served on it by Sub-Lessee; provided, further, however, that in the event such breach or default is not corrected, Sub-Lessee may elect to terminate this Sublease in its entirety or as to any portion of the premises affected thereby, and such election shall be given by an additional thirty (30) day written notice to Sub-Lessor.

17. Eminent Domain. If any portion of the Subleased premises shall be taken by eminent domain and a portion thereof remains which is usable by Sub-Lessee for the purpose set forth in Paragraph 2 herein, this Sublease shall, as to the part taken, terminate as of the date title shall vest in the condemnor, or the date prejudgment possession is obtained through a court of competent jurisdiction, whichever is earlier, and the rent payable hereunder shall abate pro rata as to the part taken; provided, however, in such event Sub-Lessor reserves the right to terminate this Sublease as of the date when title to the part taken vests in the condemnor or as of such date of prejudgment possession. If all of the Subleased premises are taken by eminent domain, or such part is taken so that the Subleased premises are rendered unusable for the purposes set forth in Paragraph 2 herein, this Sublease shall terminate. If a part or all of the Subleased premises be so taken, the compensation awarded upon such taking shall be paid to the parties hereto in accordance with the values attributable to their respective interests in such eminent domain proceedings.

18. Continuation of Sublease After Abandonment. Even though Sub-Lessee has abandoned the Subleased premises, this Sublease shall continue in effect for so long as Sub-Lessor does not terminate Sub-Lessee's right to

possession, and Sub-Lessor may enforce all of its rights and remedies under this Sublease, including, but not limited to, the right to recover rent as it becomes due hereunder. For the purpose of this Paragraph 17, acts of maintenance or preservation or efforts by Sub-Lessor to relet the premises, or the appointment of a receiver or initiative of Sub-Lessor to protect its interest under this Sublease do not constitute a termination of Sub-Lessee's right to possession.

19. Insurance. Sub-Lessee shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverages during the term of this Sublease. The procurement and maintenance of insurance required below will not diminish or limit Sub-Lessee's obligation to indemnify or hold Sub-Lessor and the County of Riverside harmless.

(a) **Workers' Compensation:** If Sub-Lessee has employees as defined by the State of California, Sub-Lessee 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 waive subrogation in favor of Sub-Lessor and the County of Riverside, including an All States Endorsement if applicable, and provide a Borrowed Servant/Alternate Employer Endorsement if applicable. If Sub-Lessee does not have employees, Sub-Lessee will provide Sub-Lessor and County with a written statement to that effect.

(b) **Airport General Liability:** If Sub-Lessee Subleases one or more hangars, Sub-Lessee shall maintain Airport General Liability insurance coverage, including but not limited to, premises liability, contractual liability, and personal and advertising injury covering claims or occurrences which may arise from or out of Sub-Lessee's performance of its obligations hereunder. If Sub-Lessee uses the hangar for their aircraft (does not Sublease) and Sub-Lessee's Aircraft Liability coverage does not cover Premises Liability, Sub-Lessee shall procure and maintain Airport General Liability insurance as described herein. Policy shall name Sub-Lessor and all Agencies, Districts, Special Districts, and Departments of the County of Riverside, its respective directors, officers, Board of Supervisors,

employees, elected or appointed officials, agents or representative as Additional Insureds. Policy's limit of liability shall not be less than \$1,000,000 per occurrence and in the aggregate if applicable.

(c) **Vehicle Liability:** If Sub-Lessee's vehicles or mobile equipment enter the operating area of the Hemet-Ryan Airport, then Sub-Lessee shall maintain liability insurance for all owned, non-owned or hired vehicles used in an amount not less than \$500,000 per occurrence combined single limit. Policy shall name Sub-Lessor and all Agencies, Districts, Special Districts, and Departments of the County of Riverside, its respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representative as Additional Insureds.

(d) **Aircraft Hull and Liability Insurance:** Aircraft hull coverage for all aircraft owned by Sub-Lessee insured on a replacement value basis, or at a minimum, hull coverage on an agreed value basis, including all equipment and contents thereof. Sub-Lessee may elect to self-insure the hull, equipment and contents of Sub-Lessee's owned aircraft providing Sub-Lessee submits to Sub-Lessor and County of Riverside a letter, signed by the legal owner, stating that the owner has elected to self insure the aircraft hull, equipment and contents and agrees to indemnify and hold harmless the Sub-Lessor 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 Sub-Lessor or County of Riverside that may have contributed to said loss or damage.

Sub-Lessee shall provide Aircraft Liability insurance for all owned and non-owned aircraft operated by the Sub-Lessee 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 airport premises liability and contractual liability. The policy will be endorsed to include Sub-Lessor and all Agencies, Districts, Special Districts, and Departments of the County of Riverside, its respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents or representative as Additional

Insureds. If Sub-Lessee maintains premises liability coverage under a separate policy, Sub-Lessee is not required to maintain premises liability within the Aircraft Liability coverage.

(e) General Insurance Provisions – All lines:

1. Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California and have an AM BEST rating of not less than an A:VIII (A:8), unless such requirements are waived in writing by the County's Risk Manager. If the County's Risk Manager waives a requirement for a particular insurer, such waiver is only valid for that specific insurer and only for one policy term.

2. The Sub-Lessee's insurance carrier(s) must declare its insurance deductibles or self-insured retentions. If such deductibles or self insured retentions exceed \$50,000 per occurrence such deductibles and/or retentions shall have the prior written consent of the County's Risk Manager before the commencement of operations under this Agreement. Upon notification of deductibles or self-insured retention's unacceptable to the County of Riverside, and at the election of the County's Risk Manager, Sub-Lessee's carriers shall either; a) reduce or eliminate such deductibles or self-insured retention's as respects this Agreement with the County of Riverside, or b) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

3. Sub-Lessee shall cause its insurance carrier to furnish Sub-Lessor and County of Riverside with either a) a properly executed original Certificate of Insurance and certified original copies of Endorsements effecting coverages as required herein, and/or b) if requested to do so in writing by the County's 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 Sub-Lessor and 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 Agreement shall terminate forthwith, unless the Sub-Lessor and County of Riverside receives, prior to such effective date, another properly executed original Certificate of Insurance and original copies of endorsements or certified original policies, including all endorsement and attachments thereto evidencing coverage's set forth herein and the insurance required herein is in full force and effect.

Sub-Lessee shall not commence operations under this Sublease until the Sub-Lessor has been furnished original Certificate(s) of insurance and certified original copies of endorsements and, if requested, certified original policies of Insurance including all endorsements and any and all other attachments as require 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 Sub-Lessor and the County of Riverside's insurance and/or deductibles and/or self-insured retention's or self-insured programs shall not be construed as contributory.

5. County of Riverside's Reserved Rights – Insurance: County of Riverside reserves the right to adjust the monetary limits of insurance coverage as required in Paragraph 18 herein every fifth year during the term of this Sublease; provided, however, that any adjustment herein shall not increase the monetary limits of insurance for the preceding five (5) years in excess of fifty percent (50%). The foregoing notwithstanding any adjustments to the monetary limits in the year \_\_\_\_\_ will not exceed twenty-five percent (25%) of the previous year's limits.

6. Sub-Lessee shall pass down and cause to be maintained the insurance obligations contained herein to all tiers of Sub-Lessees and subcontractors working under this Agreement, if any.

7. Sub-Lessee shall notify Sub-Lessor and County of Riverside and Sub-Lessor and County of Riverside shall notify Sub-Lessee if any claim made by a third party or any incident or event that may give rise to a claim arising from this Sublease.

20. Hold Harmless.

(a) Sub-Lessee represents that he/she has inspected the Subleased premises, accepts the condition thereof and fully assumes any and all risks incidental to the use thereof. Sub-Lessor shall not be liable to the Sub-Lessee, his/her agents, employees, subcontractors or independent contractors for any personal injury or property damage suffered by them which may result from hidden, latent or other dangerous conditions in, on, upon or within the Subleased premises; provided, however, that such dangerous conditions are not caused by the sole negligence of Sub-Lessor, its officers, agents or employees.

(b) Sub-Lessee shall indemnify and hold harmless Sub-Lessor and all Agencies, Districts, Special Districts and Departments of the County of Riverside, its respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives from any liability whatsoever based or asserted upon any services, or activities of Sub-Lessee, its officers, employees, subcontractors, agents or representatives, if any, arising out of or in any way relating to this Agreement, including, but not limited to, property damage, bodily injury, or death of any other element of any kind or nature whatsoever, and resulting from any reason whatsoever arising out of or from the performance of Sub-Lessee, its officers, agents, employees, subcontractors, Sub-Lessee's agents or representatives from this Sublease.

Sub-Lessee shall defend at its sole cost and expense, all costs and fees, including, but not limited to, attorney fees, cost of investigation, defense and settlements or awards of Sub-Lessor and all Agencies, Districts, Special Districts and Departments of the County of Riverside, its respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives in any claim or action based upon such alleged acts or omissions.

With respect to any action or claim subject to indemnification herein by Sub-Lessee, Sub-Lessee shall at its sole cost, have the right to use counsel of its own choice and shall have the right to adjust, settle, or compromise any such action or claim without the prior consent of Sub-Lessor and County of Riverside, provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Sub-Lessee's indemnification to Sub-Lessor and County of Riverside as set forth herein.

Sub-Lessee's obligation hereunder shall be satisfied when Sub-Lessee has provided Sub-Lessor and County of Riverside the appropriate form of dismissal relieving Sub-Lessor and County of Riverside from any liability for the action or claim involved.

The specified insurance limits required in this Agreement shall in no way limit or circumscribe Sub-Lessee's obligations to indemnify and hold harmless the Sub-Lessor and the County of Riverside herein from third party claims.

21. Assignment.

(a) Except as provided in Paragraph 21(b) below, Sub-Lessee cannot assign, sublet, mortgage, hypothecate or otherwise transfer in any manner any of its rights, duties or obligations hereunder to any person or entity without the written consent of Sub-Lessor being first obtained.

(b) Sub-Lessee may sublet the Subleased premises provided that such subletting: (1) is in writing, copy of which shall be forwarded to Sub-Lessor and County upon execution thereof, (2) includes a provision therein subjecting the Sublease(s) to the terms and conditions of this Sublease, and (3) shall be in a format previously approved by Sub-Lessor.

22. Toxic Materials. During the term of this Sublease and any extensions 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 above the Subleased premises including, but not limited to, soil and ground water conditions. Further, Sub-Lessee, its successors, assigns and Sublease, shall not use, generate, manufacture, produce, store or

dispose of on, under or about the Subleased premises or transport to or from the Subleased 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 Sublease, hazardous materials shall include, but not be limited to, substances defined as "hazardous substances," "hazardous materials," or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended, 42 U.S.C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et. seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et. seq.; and those substances defined as "hazardous wastes" in Section 25117 of the California Health and Safety Code or as "hazardous substances" in Section 25316 of the California Health and Safety Code; and in the regulations adopted in publications promulgate pursuant to said laws.

23. 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 Subleased premises, and which may be secured by a mechanics', materialman's or other lien against the Subleased premises or Sub-Lessor's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by such lien matures or becomes due; provided, however, that if Sub-Lessee desires to contest any such lien, he/she may do so, but notwithstanding any such contest, if such lien shall be reduced to final judgment, and such 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.

24. Employees and Agents of Sub-Lessee. It is understood and agreed 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 the County.



25. Binding on Successors. Sub-Lessee, his/her assigns and successors in interest, shall be bound by all the terms and conditions contained in this Lease, and all of the parties thereto shall be jointly and severally liable hereunder.

26. Waiver of Performance. No waiver by Sub-Lessor at any time of any of the terms and conditions of this Sublease shall be deemed or construed as a waiver at any time thereafter of the same or of any other terms or conditions contained herein or of the strict and timely performance of such terms and conditions.

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

28. Venue. Any action at law or in equity brought by either of the parties hereto for the purpose of enforcing a right or rights provided for by this Sublease 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.

29. Attorneys' Fees. In the event of any litigation or arbitration between Sub-Lessee and Sub-Lessor to enforce any of the provisions of this Sublease or any right of either party hereto, the unsuccessful party to such litigation or arbitration agrees to pay to the successful party all costs and expenses, including reasonable attorneys' fees, incurred therein by the successful party, all of which shall be included in and as a part of the judgment or award rendered in such litigation or arbitration.

30. 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

Bachelor Mountain Group, LLC  
27755 Tangelo Ave.  
Hemet, CA 92544

SUB-LESSEE

Loren Gallagher  
P.O. Box 280  
Hemet, CA. 92546

Or to such other addresses as from time to time shall be designated by the respective parties.

31. Permits, Licenses and Taxes. Sub-Lessee shall secure, at his/her expense, all necessary permits and licenses as he/she may be required to obtain, and Sub-Lessee shall pay for all fees and taxes levied or required by any authorized public entity. Sub-Lessee recognizes and understands that this Sublease may create a possessory interest subject to property taxation and that Sub-Lessee may be subject to the payment of property taxes levied on such interest.

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

33. Sub-Lessor's Representative. Sub-Lessor hereby appoints the Lloyd Cliff of Bachelor Mountain Group, LLC or his designee as its authorized representative to administer this Sublease.

34. Agent for Service of Process. It is expressly understood and agreed that in the event Sub-Lessee is not a resident of the State of California or he/she is an association or partnership without a member or partner resident of the State of California, or it is a foreign corporation, then in any such event, Sub-Lessee shall file with Sub-Lessor upon his/her execution hereof, a designation of a natural person residing in the State of California, giving his or her name, residence and business address, as his/her agent for the purpose of service of process in a court action arising out of or based upon this Sublease and the delivery to such agent of a copy of any process in any such action shall constitute valid service upon Sub-Lessee. It is further expressly understood and agreed that if for any reason service of such process upon such agent is not feasible, then in such event Sub-Lessee may be personally served with such process out of this County and that such service shall constitute valid service upon Sub-Lessee. It is further expressly understood and agreed that Sub-

Lessee is amenable to the process so served, submits to the jurisdiction of the Court so obtained and waives any and all objections and protests thereto.

35. Entire Sublease. This Sublease is intended by the parties hereto as a final expression of their understanding with respect to the subject matter hereof and as a complete and exclusive statement of the terms and conditions thereof and supersedes any and all prior and contemporaneous Subleases, agreements and understandings, oral or written, in connection therewith. This Sublease may be changed or modified only upon written consent of the parties hereto.

36. Construction of Sublease. The parties hereto negotiated this Sublease at arms length and with the advice of their respective attorneys, and no provisions contained herein shall be construed against Sub-Lessor solely because it prepared this Sublease in its executed form.

REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY

Dated: 11/04/11

**SUB-LESSEE**

By: Loren V. Gallagher

Loren Gallagher for:

Gallagher Family Trust

Dated: 11/01/2011

**SUB-LESSOR**

**BACHELOR MOUNTAIN GROUP, LLC**

By: Lloyd B. Cliff  
Lloyd Cliff, Managing Member

Dated: 12/20/11

**COUNTY OF RIVERSIDE**

(as Landowner & Lessor under the  
Master Ground Lease to Bachelor  
Mountain Group, LLC dated 6/4/09)

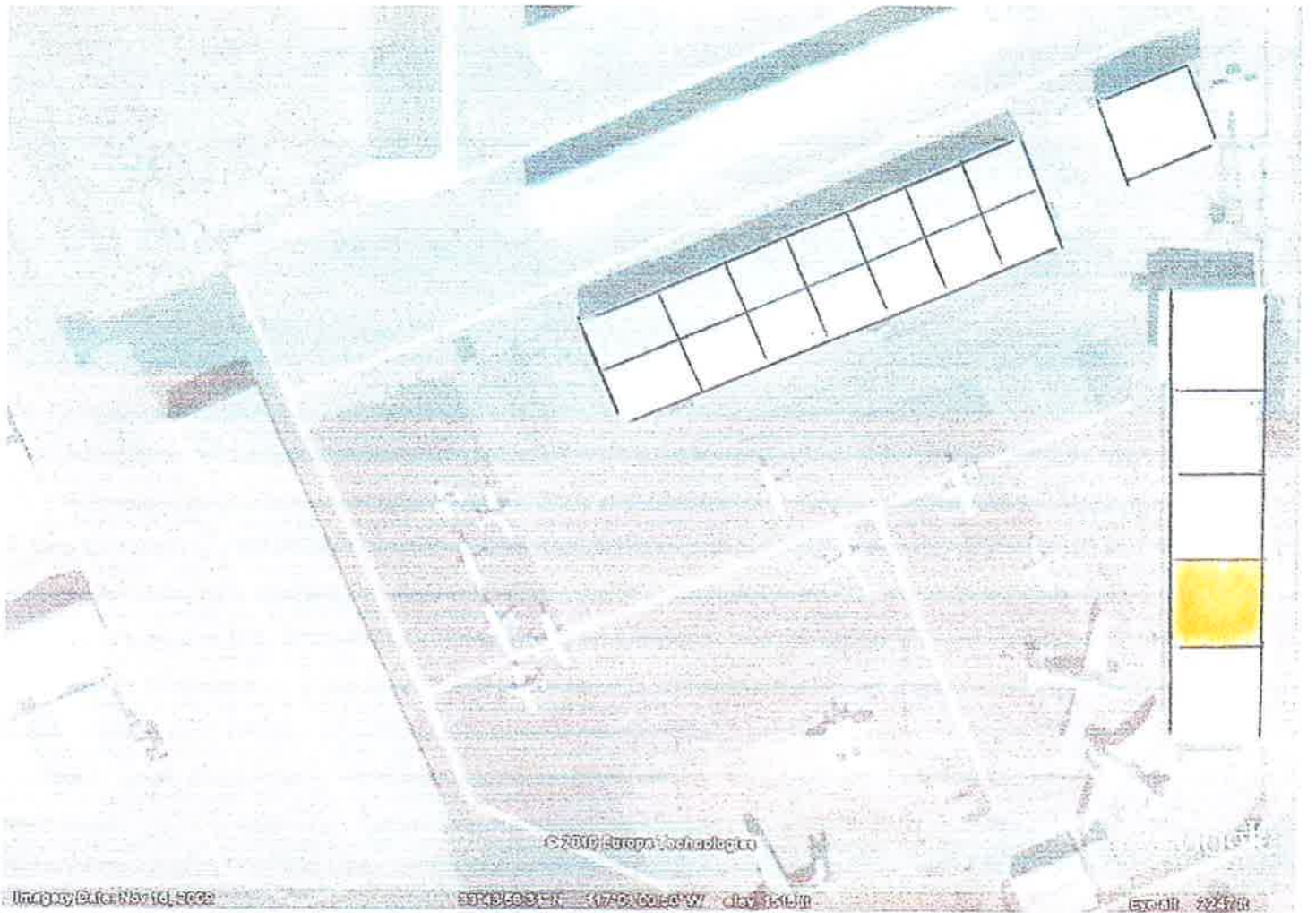
By: Colby Cataldi

Colby Cataldi  
Assistant Director

Attachments:

Exhibit A – Subleased Premises

Exhibit B – Federally Required Lease Provisions



©2010 StreetView Technologies

Imagery © 2010 Google

37° 45' 00" N 122° 15' 00" W

Scale 1:1000

**FEDERAL AVIATION ADMINISTRATION  
MANDATORY LEASE PROVISIONS**

1. The Lessee for himself, his heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease agreement for a purpose for which a U.S. Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
2. The Lessee for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Non-Discrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
3. That in the event of breach of any of the above nondiscrimination covenants, the County of Riverside, herein called the County, shall have the right to terminate the lease agreement and to reenter and repossess said land and the facilities thereon, and hold the same as if said lease agreement had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.
4. The Lessee shall furnish its accommodations and/or services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided, however, that the Lessee may be allowed to make

reasonable and nondiscriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

5. Non-compliance with Provision 4 above shall constitute a material breach thereof, and in the event of such noncompliance, the County shall have the right to terminate this lease agreement and the estate thereby created without liability therefore or, at the election of the County or the United States, either or both said Governments shall have the right to judicially enforce these Provisions.
6. The Lessee agrees that it shall insert the above five provisions in any sublease agreement by which said Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public on the premises herein leased.
7. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Par 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effort.
8. The County reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.
9. The County reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the Lessee in this regard.
10. This lease agreement shall be subordinate to the provisions and requirements of any existing or future agreement between the County and the United States relative to the development, operation, or maintenance of the airport.
11. There is hereby reserved to the County, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight

through the said airspace or landing at, taking off from, or operating on the French Valley Airport.

12. The Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.
13. The Lessee, by accepting this lease agreement, expressly agrees for itself, its successors and assigns that it will neither erect nor permit the erection of any structure or object, nor permit the growth of any tree, on land leased hereunder with a height that exceeds the height limitation formula specified in Part 77 of the Federal Aviation Regulations without first obtaining the approval of the DOT and the County, which approval can be sought by submitting FAA Form 7460-1 (copy attached). In the event that the aforesaid covenants are breached, the County reserves the right to enter upon the land leased hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Lessee.
14. The Lessee, by accepting this lease agreement, agrees for itself, its successors and assigns that it will not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from French Valley Airport or otherwise constitute a hazard. In the event that the aforesaid covenant is breached, the County reserves the right to enter upon the premises hereby leased and cause the abatement of such interference at the expense of the Lessee.
15. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 USC 1349a)
16. This lease agreement and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire affecting the control, operation, regulation, and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during time of war or national emergency.



## CONSENT TO BILL OF SALE

The County of Riverside (Lessor) hereby consents to the foregoing Bill of Sale, dated September 22, 2011, for the aircraft storage hangar known as Hangar 9D, located at Hemet-Ryan Airport, Hemet, California, between Pacific Commerce Company, Inc. as Seller and Loren Gallagher, as Buyer.

Date: \_\_\_\_\_

COUNTY OF RIVERSIDE

A political subdivision of the State of California

By: \_\_\_\_\_  
Chairman, Board of Supervisors

APPROVED AS TO FORM:  
Pamela J. Walls, County Counsel

By:  \_\_\_\_\_  
Anita C. Willis, Deputy

## BILL OF SALE

For a valuable consideration paid and received, PACIFIC COMMERCE COMPANY INC., A NEVADA CORPORATION (Seller) hereby conveys to Loren V Gallagher, a married man (Buyer) his executors, administrators and assigns the following property:

All personal property located on and used in connection with the property commonly known as:

**HEMET-RYAN AIRPORT HANGAR #9-D (60' x 60' R & M STEEL AIRCRAFT HANGAR),  
APN # 009617316-5 Bill # 9909**

**HANGAR IS AS-IS, WHERE IS, NO WARRANTIES EXPRESSED OR IMPLIED.**

**SALE PRICE: \$150,000 (one hundred fifty thousand dollars)**

This will serve as the only official title/deed or document for the metal hangar described above.

This agreement is made on this 22nd day of September, 2011 and is good only if executed in counterpart and is the only document for the above sale.

Seller for his heirs, executors and administrators, covenants and agrees to warrant and defend this sale of said property, goods and chattels, against all and every person and persons claiming the same.

Date: 9/22/11

Seller:

Pacific Commerce Company Inc.

  
By: Gary Roberts  
Its: Vice President

Buyer:

  
Loren Gallagher

## CONSENT TO CANCELLATION OF SUBLEASE

The County of Riverside, a political subdivision of the State of California (Lessor) hereby consents to the cancellation of the Sublease dated May 3, 2011, for Hangar 9D, between Bachelor Mountain Group, LLC as Sublessor, and Pacific Commerce Company, Inc., as Sublessee, without however waiving the restrictions contained in the Master Lease, between the County of Riverside, as Lessor, and Bachelor Mountain Group, LLC, as Lessee, dated September 15, 2009, described as six and 56/100 (6.56) acres of land at the Hemet-Ryan Airport.

Date: \_\_\_\_\_

COUNTY OF RIVERSIDE  
A political subdivision of the State of California

By: \_\_\_\_\_  
Chairman, Board of Supervisors

APPROVED AS TO FORM:  
Pamela J. Walls, County Counsel

By:  \_\_\_\_\_  
Anita C. Willis, Deputy