

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



FROM: Economic Development Agency

SUBMITTAL DATE:
April 21, 2011

SUBJECT: Aviation Ground Sublease, Hemet-Ryan Airport

RECOMMENDED MOTION: That the Board of Supervisors:

1. Consent to the Sublease, dated January 1, 2011, from Bachelor Mountain Group, LLC, as Sublessor, to Carlsbad Raceway Corporation, as Sublessee;
2. Authorize the Chairman of the Board of Supervisors to execute the Consent to Sublease; and
3. Authorize the Assistant County Executive Officer/EDA, or designee, to execute any additional documents required by the Sublease.

BACKGROUND (Commences on Page 2)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	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:	2010/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

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

C.E.O. RECOMMENDATION: APPROVE

Jennifer L. Sargent
BY: Jennifer L. Sargent

County Executive Office Signature Jennifer L. Sargent

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Stone, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
 Nays: None
 Absent: None
 Date: May 3, 2011
 xc: EDA 11:15:10

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.: 3.21 of 9/15/09

District: 3

Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.12

FORM APPROVED COUNTY COUNSEL
BY: *Anita C. Willis*
ANITA C. WILLIS
DATE: 4/22/11
Departmental Concurrence

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

BACKGROUND:

The Economic Development Agency has received a Consent to Sublease, dated January 1, 2011, between Bachelor Mountain Group, LLC as Sublessor, and Carlsbad Raceway Corporation, (hereinafter referred to as Carlsbad Raceway) as Sublessee. The Sublease is for the land occupied with aircraft storage hangar, Hangar 9B.

The Sublease is under a six and 56/100 (6.56) acre ground lease dated September 15, 2009, between the County of Riverside, as Lessor, and Bachelor Mountain Group, LLC, as Lessee.

On January 1, 2011, Sublessor entered into a new sublease with Carlsbad Raceway for the land occupied by aircraft storage hangar 9B.

The Economic Development Agency recommends that the Board of Supervisors consent to the 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 9B, between Bachelor Mountain Group, LLC as Sublessor, and Carlsbad Raceway Corporation, 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 Carlsbad Raceway Corporation, and otherwise accepts the Sublessee, Carlsbad Raceway Corporation, under said Sublease.

Date: 5/3/11

COUNTY OF RIVERSIDE
A political subdivision of the State of California

By: Bob Buster
Chairman, Board of Supervisors
BOB BUSTER

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

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

S:\EDCOM\AIRPORTS\HEMET RYAN\Hemet Ryan Aviation\Bachelor Mountain Group LLC\Consent to Sublease 3-24-11 - BMG-
Carlsbad Raceway Hgr 9B.docx

ATTEST:
KECIA HARPER-IHEM, Clerk
By: [Signature]
DEPUTY

MAY - 3 2011 3.12

2011-5-107389

SUBLEASE AGREEMENT – LAND ONLY
HEMET-RYAN AIRPORT

This Sublease Agreement ("Sublease") is entered into as of 01/09/2011, by and between Bachelor Mountain Group, LLC ("Sub-Lessor"), and CARLSBAD RACEWAY CORP., ("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 9-B is located within the Bachelor Mountain Group, LLC leasehold, located at Hemet-Ryan Airport in the County of Riverside, California and consist of approximately 3,600 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: CESSNA 180

Identification Number: N1699C

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 01/01/2011 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 \$245.00 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 15th 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 (5th) 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-Lesseees 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

CARLSBAD RACEWAY CORP.
24291 THREE SPRINGS RD.
HEMET, CA 92545

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.

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Dated: 01/01/2011

SUB-LESSEE

By: 
Printed Name: JEFF GRINER
AS PRESIDENT OF
CARLSBAD RACEWAY CORP.

Dated: 02/16/2011

SUB-LESSOR
BACHELOR MOUNTAIN GROUP, LLC

By: 
Lloyd Cliff, Managing Member

Dated: _____

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

By: _____
Colby Cataldi
Assistant Director

Attachments:

- Exhibit A – Subleased Premises
- Exhibit B – Federally Required Lease Provisions

FORM APPROVED COUNTY COUNSEL
BY:  4-5-11
ANITA C. WILLIS DATE



**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.

MASTER

LEASE

BACHELOR MOUNTAIN GROUP

LEASE

HEMET-RYAN AIRPORT

The COUNTY OF RIVERSIDE, a political subdivision of the State of California, herein called the County, leases to Bachelor Mountain Group, LLC, a California limited liability company, herein called Lessee, the property described below under the following terms and conditions:

1. Recitals.

(a) County owns and operates the Hemet-Ryan Airport. County relies upon fixed based operators to provide aeronautical and aviation oriented services to the general public. The use, convenience and safety of the public require that the services be provided by competent, trained and licensed personnel, using proper tools and equipment and operating in sanitary, convenient spaces.

(b) The provisions herein are intended, and are to be construed, to assure a consistently high level of service responsive to the public needs.

(c) Lessee is a related entity with the Lessee under that certain Lease dated November 14, 2000, between the County of Riverside and Hemet-Ryan Aviation, Inc., the Lease consisting of 24 acres of improved land and two hangars each consisting of approximately 20,250 gross square feet and commonly known as Hangar 4 and Hangar 5. Said Lease shall terminate upon the execution of this Lease, and the following other leases: the Relocated Sublessees Lease, the Hangar No. 5 Lease; and the Hemet-Ryan Aviation, Inc, FBO Lease, each between the County and Hemet-Ryan Aviation, Inc., Lease; all referenced in Section 1(d).

(d) Concurrently with this Lease, County and Hemet-Ryan Aviation, Inc., a related entity with Lessee, will enter into three (3) other leases, all referenced in the Settlement Agreement between County and Hemet-Ryan Aviation, Inc. dated April 7, 2009: 1) a four (4) year lease for Relocated Sublessees and 2) a four (4) year lease for Hangar No. 5; and 3) a thirty (30) year lease for approximately 4.68 acres of land which will be used to operate a full service FBO. All of the foregoing leases shall be executed at the same time this Lease is executed.

(e) A condition precedent to the of approval and execution of this Lease and the aforementioned leases by the County is that Hangar No. 4 be completely vacated by Hemet-Ryan Aviation, Inc., including any tenants, lessees, or other related entities, and possession thereof shall be returned to the County on or before June 4, 2009.

2. Description. The premises leased hereby consists of two parcels of land totaling approximately 6.56 acres within the Hemet-Ryan Airport, which airport is located 4200 Waldon Weaver Road, Hemet,

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1 California, 92545, as more particularly shown on Exhibit A, attached hereto and by this reference made a part of
2 this Lease. Said property is hereafter referred to as the "Leased Premises." County and Lessee herein
3 acknowledge that Lessee has no fee title interest in or to the Leased Premises.

4 3. Term. This Lease shall commence on June 4, 2009, and terminate on June 3, 2039, a term of
5 thirty (30) years.

6 With respect to the Leased Premises and subject to the provisions of Sections 5, 8 10(b), 17 and 18
7 hereof, and provided that Lessee, at the time of exercising the option, is in full compliance with the terms of this
8 Lease, Lessee shall have the option to extend the term of this Lease for a period of ten (10) years. Lessee will
9 notify County in writing of its intention to exercise the option to extend not more than twelve (12) months or
10 less than six (6) months from the expiration date of the initial term. Lessee shall remain in compliance with all
11 terms of the Lease in order to exercise the option.

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

14 4. Non Exclusive Right. It is understood and agreed that nothing herein contained will be
15 construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the
16 Federal Aviation Act of 1958 (49 U.S.C. 1349a).

17 5. Use. Lessee shall perform the services of a "Limited Service Fixed Base Operator" in
18 accordance with the Minimum Standards for Fixed Base Operators Riverside County Airports, and as amended
19 from time to time, attached hereto and incorporated herein by this reference as Exhibit C. The Leased Premises
20 may be used for the following purposes and no other without the written consent of County:

21 Providing aircraft storage and storage of related aviation tools and aviation equipment inside hangar buildings.

22 The Leased Premises shall not be used for any purpose other than those described above
23 without first obtaining the written consent of County, which consent shall not be unreasonably withheld. The
24 County's approval of any change in the Use of the Leased Premises may, at County's sole election, place
25 additional specific requirements on Lessee including, but not limited to, the types, limits of liability and
26 conditions of insurance provided under this Lease.

27 6. Rent.

28 (a) Base Rent: Lessee shall pay to County as Base Rent for the use and occupancy of
the Leased Premises a monthly rent equal to three thousand one hundred eighty-eight and 60/100 (\$3,188.16)
dollars, which is based upon the approximate acreage set forth in Section 2 herein. Upon completion of a
survey of the leased premises, the rent shall be adjusted in accordance with the actual acreage at the initial rate
of four hundred eighty six dollars and No cents (\$486.00) per acre, which is subject to future adjustment as
further set forth herein. That rent amount shall be adjusted on August 1, 2009 to reflect the increase in the

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1 consumer price index for the year ending July 1, 2009, as further described in 6(b)(2) below.

2 Said Base Rent is due and payable in advance on the first of each month of the term of
3 the Lease. The rents shall be considered delinquent, if not paid by the 15th of the month. If the rents become
4 delinquent, Lessee will be charged a late fee equivalent to ten percent (10%) of the delinquent rental amount,
5 exclusive of late fees, for each month that rent is delinquent.

6 (b) Rental Adjustments:

7 (1) Base Rent Adjustment - Beginning July 1, 2015 and on July 1 of every fifth
8 (5th) year thereafter, that portion of the monthly Base Rent for the Land shall be adjusted to one-twelfth (1/12)
9 of eight percent (8%) of the then-current aviation fair market value of the Land. Said aviation fair market value
10 shall be for the Land only and shall not include the value of the Improvements or other structures placed on the
11 Leased Premises by Lessee. In no event will application of this paragraph result in a monthly Base Rent
12 amount for the Land which is lower than the highest previous monthly Base Rent for the Land.

13 The aviation fair market value for the Land will be established by a property appraisal
14 performed by an independent appraiser, knowledgeable and experienced in the valuation of aviation property
15 within the southern California Counties of Riverside, San Bernardino, San Diego and Los Angeles. The
16 appraiser shall be certified by, and be in good standing with the Appraisal Institute of Chicago IL with a current
17 designation of "MAI" and the appraisal shall be conducted in strict compliance with the Uniform Standards of
18 Professional Appraisal Practice ("USPAP"). In the event that the MAI designation ceases to exist, the successor
19 designation as designated by the Appraisal Institute of Chicago IL or its successor organization, if any, shall be
20 utilized.

21 No less than two hundred and forty (240) days prior to the rent adjustment date, County
22 will notify by US Mail, potentially affected Lessees of its intent to issue a Request for Qualifications and
23 Proposal ("RFQP") and submit a copy of the Draft RFQP form it intends to use. It will be the responsibility of
24 the Lessees to establish amongst themselves a process for forming a committee to comment on the Draft RFQP
25 and to select up to two-fifths (2/5) of the appraisers that will be invited to respond to the RFQP. In the event a
26 majority of Lessees participating in the selection process are unable to form a committee, comment on the Draft
27 RFQP, select the designated number of appraisers or give the County written notice thereof within two hundred
28 ten (210) days prior to the rent adjustment date, then County will select all of the appraisers to which the RFQP
is sent. No less than one hundred and eighty (180) days prior to the rent adjustment date, County will give
reasonable consideration to the comments received from the Lessee's Committee and shall issue a Final RFQP
to a minimum of five (5) appraisers meeting the foregoing qualifications. Upon receipt of the responses to the
RFQP, the County shall offer the responses to the Lessee's Committee for viewing and comment for a period of
fourteen (14) days, and after reasonable consideration of the comments made, County shall select the appraiser

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1 pursuant to the County's established guidelines. The cost of the appraisal and related processes shall be borne
2 by the County. The cost, if any, of forming and operating the Lessee's Committee shall be borne by the Lessee
3 Committee members.

4 Once established, the adjusted monthly Base Rent for the Land shall be adjusted
5 annually in the manner set forth in Section 6 (b) (2) below.

6 (2) Consumer Price Index - Beginning July 1, 2010, and at each July 1st thereafter,
7 except for dates coinciding with the appraisals conducted every fifth year as referenced in 6(b) (1) above, the
8 Base Rent shall be adjusted by the percentage change in the Consumer Price Index, All Urban Consumers, Los
9 Angeles-Riverside-Orange County Area, for the twelve-month period ending three months before the month of
10 rent adjustment under this paragraph. In no event, will application of this paragraph result in a monthly rental
11 amount lower than the highest previous monthly rental amount.

12 7. Additional Obligations of Lessee. Lessee shall, during the term of this Lease and any
13 extensions thereof:

14 (a) Provide the services required of a Limited Service Fixed Base Operator providing
15 aircraft storage as set forth in Exhibit C, and as amended from time to time, attached hereto and by reference
16 incorporated herein;

17 (b) Observe and obey, and compel its employees, agents, invitees, sublessees, and those
18 doing business with it to observe and obey, all such rules and regulations of County which are now in effect or
19 which may hereafter be promulgated, provided that such rules and regulations many not unduly interfere or
20 conflict with the rights and privileges granted to Lessee in this Lease or any later amendments;

21 (c) Employ and maintain on the Leased Premises sufficient personnel who are trained and
22 skilled in order to competently perform the tasks related to the services being offered;

23 (d) Operate the Leased Premises and perform services for the use and benefit of the general
24 public without discrimination on the grounds of race, religion, color or national origin or in any manner
25 prohibited by Part 15 of the Federal Aviation Administration Regulations;

26 (e) Operate the Leased Premises and the facilities thereon in a progressive and efficient
27 manner, charging fair and reasonable prices for each unit or service, said prices being competitive with prices
28 charged by other fixed based operators at Hemet-Ryan Airport and other County airports, and, upon request
from County, Lessee shall furnish County with a schedule of all prices for each unit or service offered for sale
or lease to the general public;

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

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1 the Federal Aviation Administration and County's Fire and Building and Safety Departments, meet all other
2 local, state and federal laws and regulations, and all applicable permits have been obtained. Under no
3 circumstances is painting permitted without the express, written approval of County;

4 (g) Maintain a comfortable clean sanitary restroom facilities for both men and women;
5 such restroom facilities shall be properly and continuously supplied with soap, towels, toilet tissue and any
6 other supplies required by state, federal or local laws and ordinances. Lessee may use portable restroom
7 facilities or facilities serviced by a septic system for a maximum period of four (4) years from the date of lease
8 execution. Within 4 years of Lease execution, Lessee shall connect with the sewer system and install restroom
9 facilities which are properly connected with said sewer system;

10 (h) Observe the Taxiway Object Free Area and the ALP Aircraft Parking Line adjacent to
11 the leasehold to allow the passage of taxiing aircraft. From the centerline of the taxiway A the boundary for the
12 Taxiway Object Free Area boundary and ALP Aircraft Parking Line is sixty-five and 5/10 (65.5) feet;

13 (i) Maintain the Leased Premises, approaches thereto, and improvements now or hereafter
14 located thereon, in good, safe and sanitary order, condition, and repair, and upon any termination of this Lease,
15 Lessee agrees to surrender said Leased Premises and improvements thereon in such good, safe and sanitary
16 condition, reasonable use and wear thereof and damages by fire, acts of God, war, civil insurrection, or by the
17 elements excepted;

18 (j) On every January 1 and July 1 during the term of this Lease, Lessee shall provide an
19 Aircraft and Sublease Status Report, Exhibit F, attached hereto and by reference included herein, for all
20 subleases and aircraft being stored on the Leased Premises. The report shall be supplied in a form and
21 electronic format acceptable to County and contain at least the following information: Name of the Sublessee
22 (Sublessor's "tenants"), the beginning and ending date of the term of the Sublease, the size of the subleased
23 land, the size of the subleased space, the aircraft storage hangar number/address, the Aircraft Registration
24 Number, the name of the owner of the aircraft, the type of aircraft and indicate whether or not an aircraft is
25 "based" at the airport (aircraft that spend at least three months of the year at this airport are to be identified in
26 the report as "based aircraft"); and certification of compliance with the insurance requirements set forth in
27 Sections 22 and 23 herein; and

28 (k) Provide or cause to be provided, and pay for all utility services that it may require or
desire in its use, maintenance and operation of the Leased Premises.

8. Permits, Licenses and Taxes. Lessee shall secure, at its expense, all necessary permits and
licenses as it may be required to obtain regarding the construction, operation, maintenance, and termination or
abandonment of activities upon the Leased Premises, and Lessee shall pay for all fees and taxes levied or
required by any authorized public entity. Lessee recognizes and understands that this Lease may create a

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1 possessory interest subject to property taxation and that Lessee may be subject to the payment of property taxes
2 levied on such interest.

3 9. On-Site Improvements

4 (a) Lessee shall not undertake any improvements or alterations to the Leased Premises or
5 improvements thereon without County's written approval.

6 (b) All improvements are to be completed at Lessee's sole cost. Lessee shall pay for
7 construction of any required utility extensions and hookups (including all related fees and charges) and any
8 access road improvements. Plans for all improvements are to be submitted to County for approval prior to start
9 of any construction.

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

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

25 10. Off-Site Improvements

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

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1 connections have been made, Lessee shall be responsible for payment of the use of any utility services, without
2 limitation, all electricity, gas, telephone and water.

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

7 11. Compliance with Law. Lessee shall, at its sole cost and expense, comply with all of the
8 requirements of all governmental agencies now in force, or which may hereafter be in force, pertaining to the
9 Leased Premises, and any improvements hereafter constructed or maintained thereon, and Lessee shall
10 faithfully observe all laws and ordinances now or hereafter in force in the use of the Leased Premises.

11 12. County's Reserved Rights.

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

28 (b) County reserves the right to further develop or improve the aircraft operating area of
Hemet-Ryan Airport as it deems appropriate. County reserves the right to take any action it considers necessary
to protect the aerial approaches of the Hemet-Ryan Airport against obstruction, together with the right to
prevent the Lessee from erecting or permitting to be erected, any building or other structure on the Hemet-Ryan
Airport, which in the reasonable opinion of County, would limit usefulness of the Hemet-Ryan Airport or
constitute a hazard to aircraft.

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

8 (d) Notwithstanding any provisions herein, this Lease shall be subordinate to the
9 provisions of any existing or future agreement between County and the United States, relative to the operation
10 or maintenance of the Hemet-Ryan Airport, the terms and execution of which have been or may be required as a
11 condition precedent to the expenditure or reimbursement to County of Federal funds for the development of said
12 airport.

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

15 13. Taxiways and Roadways. Lessee grants a non exclusive easement on any and all taxiways and
16 roadways and other routes of access into or within the Airport included in its leased property to the County for
17 the public's ingress and egress to roadways, ramps and runways for the specific purposes of landing, take-off,
18 and taxiing of tenants' or invitee's aircraft, and other authorized airport uses. All such uses shall be in
19 accordance with the laws of the United States of America and the State of California, and the rules and
20 regulations promulgated by their authority with respect to aviation and navigation, and in accordance with all
21 reasonable rules and regulations, applicable ordinances of County.

22 14. Inspection of Premises. County shall have, upon reasonable notice, during normal business
23 hours, the right to enter the Leased Premises for the purpose of inspecting, monitoring and evaluating the
24 obligations of Lessee hereunder and for the purpose of doing any and all things which it is obligated and has a
25 right to do under this Lease provided that the inspection does not unreasonably interfere with Lessee's business.

26 15. Quiet Enjoyment. Lessee shall have, hold, and quietly enjoy the use of the Leased Premises so
27 long as Lessee shall fully and faithfully perform the terms and conditions that the Lessee is required to do under
28 this Lease.

16. Compliance with Government Regulations. Lessee shall, at 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 Leased Premises. The final judgment, decree,
or order of any Court of competent jurisdiction, or the admission of Lessee in any action or proceedings against
Lessee, whether Lessee be a party thereto or not, that Lessee has violated any such statutes, regulations, rules,

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1 ordinances, or orders in the use of the Leased Premises, shall be conclusive of that fact as between County and
2 Lessee.

3 17. Discrimination or Segregation

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

11 (b) Lessee shall not discriminate against or cause the segregation of any person or group of
12 persons on account of race, religious creed, color, national origin, ancestry, sex, age, physical handicap, medical
13 condition, or marital status in the occupancy, use, tenure or enjoyment of the Leased Premises, nor shall Lessee,
14 or any person claiming under or through Lessee, establish or permit any such practice or practices of
15 discrimination or segregation with reference to the selection, location, number, use, or occupancy of any
16 persons within the Leased Premises.

17 (c) Lessee assures that it will undertake an affirmative action program as required by 49
18 CFR, Part 21, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be
19 excluded from participating in any employment activities covered in 49 CFR, Part 21, with respect to its use of
20 the Leased Premises. Lessee further assures that no person shall be excluded on these grounds from
21 participating in or receiving services or benefits of any program or activity covered herein with respect to its use
22 of the Leased Premises. Lessee further assures that it will require that its subcontractors and independent
23 contractors provide assurance to Lessee that they similarly will undertake affirmative action programs and that
24 they will require assurances from their subcontractors and independent contractors, as required by 49 CFR, Part
25 21, to the same effect with respect to their use of the Leased Premises.

26 18. Termination by County. County shall have the right to terminate this Lease forthwith:

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

(b) In the event that Lessee makes a general assignment, or 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 Leased Premises by Lessee.

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

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

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

8 (g) Failure of the Lessee to require all tiers of sublessees and/or contractors to indemnify
9 the County and to have appropriate insurance coverages and/or failure by Lessee to monitor each sublessee
10 and/or contractor for current and correct Certificates of Insurance and required endorsements throughout the
11 term of this lease.

12 19. Termination by Lessee. Lessee shall have the right to terminate this Lease in the event County
13 fails to perform, keep or observe any of its duties or obligations hereunder; provided, however, that County
14 shall have thirty (30) days in which to correct its breach or default after written notice thereof has been served
15 on it by Lessee; further provided, however, that in the event such breach or default is not corrected, Lessee may
16 elect to terminate this Lease in its entirety or as to any portion of the premises affected thereby, and such
17 election shall be given by an additional thirty (30) day written notice to County.

18 20. Eminent Domain. If any portion of the Leased Premises shall be taken by eminent
19 domain and a portion thereof remains which is usable by Lessee, in its discretion, for the purposes set forth in
20 Section 5 herein, this Lease shall, as to the part taken, terminate as of the date title shall vest in the condemnor,
21 or the date prejudgment possession is obtained through a court of competent jurisdiction, whichever is earlier,
22 and the rent payable hereunder shall abate pro rata as to the part taken; provided, however, in such event County
23 reserves the right to terminate this Lease as of the date when title to the part taken vests in the condemnor or as
24 of such date of prejudgment possession. If all of the Leased Premises are taken by eminent domain, or such part
25 be taken so that the Leased Premises are rendered unusable for the purposes set forth in Section 5 herein, this
26 Lease shall terminate. If a part or all of the Leased Premises be so taken, all compensation awarded upon such
27 taking shall be apportioned between County and Lessee according to law.

28 21. Hold Harmless/Indemnification. Lessee shall indemnify and hold harmless the County of
Riverside, its Agencies, Districts, Special Districts and Departments, their respective directors, officers, Board
of Supervisors, elected and appointed officials, employees, agents and representatives while acting within the
scope of their respective duties (the "Indemnified Parties") from any liability whatsoever, including but not
limited to, property damage, bodily injury, or death, based or asserted upon any services of Lessee, its officers,
employees, subcontractors, agents or representatives arising out of or in any way relating to this Agreement and

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1 Lessee shall defend at its sole expense and pay all costs and fees, including but not limited to, attorney fees, cost
2 of investigation, defense and settlements or awards, on behalf of the Indemnified Parties in any claim or action
3 based upon such liability.

4 With respect to any action or claim subject to indemnification herein by Lessee, Lessee shall, at
5 Lessee's sole cost, have the right to use counsel of their choice and shall have the right to adjust, settle, or
6 compromise any such action or claim without the prior consent of County; provided, however, that any such
7 adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Lessee's
8 indemnification to the Indemnified Parties as set forth herein.

9 Lessee's obligation hereunder shall be satisfied when Lessee has provided County the
10 appropriate form of dismissal relieving County from any liability for the action or claim involved.

11 The specified insurance limits required in this Agreement shall in no way limit or circumscribe
12 Lessee's obligations to indemnify and hold harmless the Indemnified Parties herein from third party claims.

13 In the event there is conflict between this clause and California Civil Code Section 2782, this
14 clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not relieve the Lessee
15 from indemnifying the Indemnified Parties to the fullest extent allowed by law.

16 Lessee shall require each sublessee and/or contractor of every tier to indemnify the County of
17 Riverside as respects any claims arising from their sub-lease and/or contract.

18 22. Insurance. Lessee shall procure and maintain or cause to be maintained, at its sole cost and
19 expense, the following insurance coverages during the term of this Lease. To the extent that policies of
20 insurance with respect to this Lease are in effect at the time of lease execution, Lessee shall adjust its coverage
21 to comply with the terms and conditions of this Lease upon renewal of such policies. Notwithstanding the
22 foregoing, all insurance coverage required pursuant to the terms and conditions of this Lease shall be obtained
23 and effective no later than December 31, 2009. These requirements, with the approval of the County's Risk
24 Manager, may be modified to reflect the activities associated with the Lessee provided that any changes are
25 reasonable in nature and consistent with industry standards. The procurement and maintenance of the insurance
26 required below will not diminish or limit Lessee's obligation to indemnify or hold the County harmless. Lessee
27 agrees to have in place insurance coverage as it is required and applicable. This Section shall not be construed
28 to require Lessee to have all insurance required under this provision, in place from the date of Commencement
of this Lease.

29 (a) Workers' Compensation. Lessee shall maintain statutory Workers'
30 Compensation Insurance (Coverage A) as described by the laws of the State of California. Policy shall include
31 Employers' Liability (Coverage B) including Occupational Disease with limits not less than \$1,000,000 per
32 person per accident. Policy shall be endorsed to provide a Waiver of Subrogation in favor of the County of

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1 Riverside its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board
2 of Supervisors, employees, elected or appointed officials, agents or representatives.

3 (b) Airport General Liability. Lessee shall maintain Airport General Liability
4 Insurance coverage including, but not limited to, premises/operations liability, contractual liability, products and
5 completed operations liability, independent contractor's, personal and advertising injury liability covering all
6 claims or lawsuits of any nature whatsoever which may arise from or out of Lessee's performance under the
7 terms of the lease agreement. Policy shall name all the County of Riverside its Agencies, Districts, Special
8 Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or
9 appointed officials, agents or representatives as Additional Insureds. Policy's limit of liability shall not be less
10 than \$2,000,000 per occurrence combined single limit and in the annual aggregate as applicable. The policy
11 shall be endorsed to provide Hangar Keeper's Legal Liability Insurance (Ground and In-Flight) providing
12 coverage for aircraft in the care, custody or control of the Lessee. Policy shall include coverage for the Named
13 Insured's use of unlicensed vehicles on Airport Premises. The foregoing policy limits of liability are subject to
14 adjustment by County as provided for in Section 5 above.

15 (c) Vehicle Liability. Lessee shall maintain liability insurance for all owned, non-
16 owned, or hired vehicles used in the performance of this Lease in an amount not less than \$500,000 per
17 occurrence combined single limit. The policy shall be endorsed to name all the County of Riverside, its
18 Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of
19 Supervisors, employees, elected or appointed officials, agents, or representatives. This coverage may be
20 included in the Airport General Liability policy.

21 (d) Aircraft Hull and Liability Insurance.

22 (1) Aircraft Hull. Lessee shall maintain Aircraft hull coverage for the replacement
23 value of all aircraft owned or operated by the Lessee in the Leased premises and the contents thereof. Such
24 policy shall be endorsed to include the County of Riverside, its Special Districts, Directors, Officers, Elected
25 Officials, employees, agents and representatives as Additional Insureds. Lessee may elect to self-insure or un-
26 insure the hull portion of the coverage required herein; however, if Lessee elects not to acquire and maintain
27 commercial insurance for the hull, Lessee agrees to indemnify and hold harmless the County from any and all
28 losses, claims, or damage to any aircraft owned by Lessee and all losses, claims, or damage to any aircraft
where Lessee has agreed under contract to be responsible for any physical damage to the aircraft. Lessee
hereby agrees that this indemnification and hold harmless includes, but is not limited to, losses, claims or
damage to any of Lessee's aircraft caused directly or indirectly by the County.

(2) Aircraft Liability - Lessee shall provide Aircraft Liability insurance for all
owned and non-owned aircraft operated by the Lessee in an amount not less than \$1,000,000 combined single

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1 limit per occurrence for bodily injury, including death and property damage and coverage shall include, but is
2 not limited to, products/completed operations and contractual liability. The policy will be endorsed to name all
3 The County of Riverside, its Agencies, Districts, Special Districts, and Departments, its respective directors,
4 officers, Board of Supervisors, employees, elected or appointed officials, agents or representative as Additional
Insureds.

5 (e) All Risk Property Insurance:

6 (1) All-Risk real and personal property insurance coverage, for the full
7 replacement cost value of building, structures, fixtures, equipment, improvements/alterations and systems on the
8 premises for property that the Lessee owns or is contractually responsible for. Policy shall include Business
9 Interruption, Extra Expense, and Expediting Expense to cover the actual loss of business income sustained
10 during the restoration period. Policy shall name the County of Riverside as a Loss Payee and provide a Waiver
of Subrogation in favor of the County of Riverside.

11 (2) Boiler & Machinery insurance coverage on a full replacement cost value basis.
12 Policy shall provide Business Interruption, Extra Expense, and Expediting Expense coverage as well as
13 coverage for off-premises power failure. Policy shall name the County of Riverside as a Loss Payee and
14 contain a Waiver of Subrogation in favor of the County of Riverside.

15 (3) Course of Construction Insurance. During the full term of construction of any
16 planned improvements, Lessee shall purchase and maintain or cause to be maintained All Risk Builder's Risk
17 insurance (Completed Value Form) including earthquake and flood for the entire Project, if applicable,
18 including coverage for materials and supplies located on and offsite but to be part of, or used in the construction
19 of, the completed Project. Policy shall also include as insured property, scaffolding, falsework, and temporary
20 buildings located on the Project site, and the cost of demolition and debris removal. If the contractor or others
21 insure scaffolding, falsework and temporary buildings separately, evidence of such separate coverage shall be
22 provided to County prior to the start of the work. The Course of Construction coverage limit of insurance shall
23 equal or exceed the highest values exposed to loss at any one time during the project term. Policy shall waive
24 subrogation in favor of 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.

25 (g) General Insurance Provisions – All Lines:

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

28 (2) Insurance deductibles or self-insured retentions must be declared by the

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1 Lessee's insurance carrier(s), and such deductibles and retentions shall have the prior written consent from the
2 County Risk Manager. Upon notification of deductibles or self insured retentions unacceptable to the County,
3 and at the election of the County's Risk Manager, Lessee's carriers shall either: 1) reduce or eliminate such
4 deductibles or self-insured retentions as respects this Lease with the County; or 2) procure a bond which
5 guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

6 (3) Cause Lessee's insurance carrier(s) to furnish the County of Riverside with
7 either: 1) a properly executed original Certificate(s) of Insurance and certified original copies of Endorsements
8 effecting coverage as required herein; or 2) if requested to do so in writing by the County Risk Manager,
9 provide original Certified copies of policies including all Endorsements and all attachments thereto, showing
10 such insurance is in full force and effect. Further, said Certificate(s) and policies of insurance shall contain the
11 covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to the County of Riverside
12 prior to any material modification of coverage or cancellation of such insurance. In the event of a material
13 modification of coverage or cancellation of such insurance, this Lease shall terminate forthwith, unless the
14 County of Riverside receives, prior to such effective date, another properly executed original Certificate of
15 Insurance and original copies of endorsements or, if requested, certified original policies, including all
16 endorsements and attachments thereto evidencing coverages set forth herein and the insurance required herein is
17 in full force and effect.

18 All Insurance Certificates submitted to the County of Riverside pursuant to the terms
19 and conditions of this Section shall be addressed as follows:

20 Airport Manager - Insurance Certificates

21 County of Riverside/EDA

22 1325 Spruce Street, Suite 400

23 Riverside, CA 92507

24 The County may change this designation from time to time by notifying Lessee in writing of the new designee
25 and address for submission of insurance certificates and policies.

26 Lessee shall not commence operations until the County of Riverside has been furnished
27 original Certificate(s) of Insurance and certified original copies of endorsements or, if requested, policies of
28 insurance including all endorsements and any and all other attachments as required in this Section. An
individual authorized by the insurance carrier to do so on its behalf shall sign the 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

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

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

11 Beginning July 1, 2015, and every fifth year thereafter during the term of this Lease or
12 any extension thereof, County reserves the right to adjust the monetary limits of insurance coverage as required
13 in Section 22.

14 (6) Lessee shall notify County of any claim made by a third party or any incident
15 or event that may give rise to a claim arising from this Lease.

16 23. Insurance for Sublessees and Contractors. Lessee shall require each of its Sublessees and
17 Contractors to meet all insurance requirements imposed by this Lease. These requirements, with the approval
18 of the County's Risk Manager, may be modified to reflect the activities associated with the Sublessee or
19 Contractor. On every sublease or contract the Lessee shall have the Sublessee or Contractor name the Lessee
20 and the County by endorsement as an additional insured and/or have the Sublessee or Contractor provide an
21 endorsement waiving subrogation in favor of the Lessee and the County on every Sublessee's or Contractor's
22 insurance policy, as applicable. Certificates and endorsements evidencing compliance with this section will be
23 provided to the County prior to the Sublessee taking occupancy.

24 24. Acceptance of Leased Premises. Lessee represents that it has inspected the Leased Premises,
25 accepts the "as is" condition thereof, and fully assumes any and all risks associated to the use thereof. County
26 shall not be liable to Lessee, its officers, agents, employees, subcontractors or independent contractors for any
27 bodily injury, personal injury or property damage suffered by them or others which may result from hidden,
28 latent or other dangerous conditions in, on, upon or within the Leased Premises.

29 25. Right to Encumber/Right to Cure.

30 (a) Lessee Right to Encumber. Notwithstanding provisions of Section 25 herein, County
31 does hereby consent to and agree that Lessee may encumber or assign, or both, for the benefit of a lender,
32 herein called Encumbrancer, this Lease, the leasehold estate and the improvements thereof by a deed of trust,
33 mortgage or other security-type instrument, herein called trust deed, to assure the payment of the promissory
34

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1 note of Lessee if the Encumbrancer is an established bank, savings and loan association or insurance company,
2 and the prior written consent of County shall not be required:

3 (1) To a transfer of this Lease at foreclosure under the trust deed, judicial
4 foreclosure, or an assignment in lieu of foreclosure; or

5 (2) To any subsequent transfer by the Encumbrancer if the Encumbrancer is an
6 established bank, savings and loan association or insurance company, and is the purchaser at such foreclosure
7 sale, or is the assignee under an assignment in lieu of foreclosure; provided, however, that in either such event
8 the Encumbrancer forthwith gives notice to County in writing of any such transfer, setting forth the name and
9 address of the transferee, the effective date of such transfer, and the express agreement of the transferee
10 assuming and agreeing to perform all of the obligations under this Lease, together with a copy of the document
11 by which such transfer was made.

12 Any Encumbrancer described in Section 25(a)(2) above which is the transferee under the
13 provisions of Section 25(a)(1) above shall be liable to perform the obligations and duties of Lessee under this
14 Lease only so long as such transferee holds title to the leasehold.

15 Any subsequent transfer of this leasehold hereunder, except as provided for in Section 25(a)(2)
16 above, shall not be made without the prior written consent of County and shall be subject to the conditions
17 relating hereto as set forth in Section 25 herein. Lessee shall give County prior notice of any such trust deed
18 and shall accompany such notice with a true copy of the trust deed and note secured thereby.

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

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

27 (2) If such default or breach is not so curable, cause the trustee under the trust deed
28 to commence and thereafter diligently to pursue to completion steps and proceedings for judicial foreclosure,
the exercise of the power of sale under and pursuant to the trust deed in the manner provided by law, or accept
from Lessee an assignment in lieu of foreclosure, and keep and perform all of the covenants and conditions of
this Lease requiring the payment or expenditure of money by Lessee(s) until such time as said leasehold shall be
sold upon foreclosure pursuant to the trust deed, be released or reconveyed thereunder, be sold upon judicial
foreclosure or be transferred by deed in lieu of foreclosure.

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1 26. Assignment and Subletting. Lessee cannot assign, sublet, mortgage, hypothecate or
2 otherwise transfer in any manner any of its rights, duties or obligations hereunder to any person or entity
3 without the written consent of County being first obtained, which consent shall not be unreasonably withheld.

4 For the purposes of this Section 26, a change or transfer of 25% or more of the members and/or owners
5 of the Lessee shall be deemed an assignment pursuant to the terms and conditions of this section.

6 Lessee shall submit all documents pertaining to any such transaction referenced in the
7 foregoing paragraph to County for approval prior to entering into such agreements. Lessee will submit executed
8 subleases and all required certificates of insurance and endorsements to insurance policies, as specified in
9 Sections 22 and 23 of this Lease, to County for approval prior to sublessees occupying the subleased premises.

10 In the event of any transfer as provided in this Section, Lessee expressly understands and agrees
11 that it shall remain liable with respect to any and all the obligations and duties contained in this Lease.

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

20 28. Toxic Materials. County to the best of its ability has no actual knowledge of the
21 Premises ever having been used as a waste dump, nor of the past or present existence of any above or below
22 ground storage tanks on the Premises, nor of the current existence on the Premises of asbestos, transformers
23 containing PCB's or any hazardous, toxic or infectious substance whose nature and/or quantity of existence,
24 use, manufacture or effect, render it subject to Federal, state or local regulation, investigation, remediation or
25 removal as potentially injurious to public health or welfare.

26 County shall be responsible for the removal and remediation of any contamination and/or
27 hazardous materials that may be found to have existed on the site prior to November 14, 2000, the effective date
28 of the Lease between the County and Hemet-Ryan Aviation, Inc., referred in Section 1(d) above. During the
removal and remediation of any such contamination or hazardous materials, rent shall abate pro rata as to the
period of time taken to remove and remediate the area of contamination and for any additional portion of the
Premises that cannot be developed because of cleanup activities.

 During the term of this Lease and any extensions thereof, Lessee shall not violate any federal,
state, or local law, or ordinance or regulation relating to industrial hygiene or to the environmental condition on,

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1 under or about the Leased Premises including, but not limited to, soil, air, and groundwater conditions. Further,
2 Lessee, its successors, assigns and Lessee shall not use, generate, manufacture, produce, store or dispose of on,
3 under or about the Leased Premises or transport to or from the Leased Premises any flammable explosives,
4 asbestos, radioactive materials, hazardous wastes, toxic substances or related injurious materials, whether
5 injurious by themselves or in combination with other materials (collectively, "hazardous materials"). For the
6 purpose of this Lease, hazardous materials shall include, but not be limited to, substances defined as "hazardous
7 substances," "hazardous materials," or "toxic substances" in the Comprehensive Environmental Response,
8 Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq.; the Hazardous Materials
9 Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C.
10 Section 6901, et seq.; and those substances defined as "hazardous wastes" in Section 25117 of the California
11 Health and Safety Code or as "hazardous substances" in Section 25316 of the California Health and Safety
12 Code; and in the regulations adopted in publications promulgated pursuant to said laws now and in the future.

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

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

26 31. Employees and Agents of Lessee. It is understood and agreed that all persons hired or engaged
27 by Lessee shall be considered to be employees or agents of Lessee and not of County.
28

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1 32. Binding on Successors. Lessee, its assigns and successors in interest, shall be bound by all the
2 terms and conditions contained in this Lease, and all of the parties thereto shall be jointly and severally liable
3 hereunder.

4 33. Waiver of Performance. No waiver by County at any time of any of the terms and conditions of
5 this Lease shall be deemed or construed as a waiver at any time thereafter of the same or of any other terms or
6 conditions contained herein or of the strict and timely performance of such terms and conditions.

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

9 35. Venue. Any action at law or in equity brought by either of the parties hereto for the
10 purpose of enforcing a right or rights provided for by this Lease shall be tried in a Court of competent
11 jurisdiction in the County of Riverside, State of California, and the parties hereby waive all provisions of law
12 providing for a change of venue in such proceedings to any other County.

13 36. Attorney's Fees. In the event of any litigation or arbitration between Lessee and County
14 to enforce any of the provisions of this Lease or any right of either party hereto, the unsuccessful party to such
15 litigation or arbitration agrees to pay to the successful party all costs and expenses, including reasonable
16 attorney's fees, incurred therein by the successful party, all of which shall be included in and as a part of the
17 judgment or award rendered in such litigation or arbitration.

18 37. Notices. Any notices required or desired to be served by either party upon the other
19 shall be addressed to the respective parties as set forth below. All notices herein which are to be given or which
20 may be given by either party to the other, shall be in writing and shall be deemed to have been given three (3)
21 business days after deposit in the United States Mail, certified and postage prepaid, return receipt requested and
22 addressed as follows or to such other addresses as from time to time shall be designated by the respective
23 parties:

<u>COUNTY</u> County of Riverside 1325 Spruce Street, Suite 400 Riverside, CA 92507 Attn: Assistant County Executive Officer/EDA	<u>LESSEE</u> Bachelor Mountain Group, LLC 27755 Tangelo Avenue Hemet, CA 92544 Attn: Lloyd Cliff
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24 Nothing herein contained shall preclude the giving of any such written notice by personal
25 service, in which event notice shall be deemed given when actually received. The address to which notices shall
26 be mailed as aforesaid to either party may be changed by written notice given by such party to the other as
27 hereinabove provided.
28

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1 38. Section Headings. The section headings herein are for the convenience of the parties only,
2 and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the
3 provisions or language of this Lease. County and Lessee acknowledge that (1) this Agreement and its reduction
4 to final form is the result of extensive good faith negotiations between the parties through their respective
5 counsel; (2) said counsel has carefully reviewed and examined this Lease for execution by said parties, or any of
6 them; and (3) any statute or rule of construction that ambiguities are to be resolved against the drafting party
shall not be employed in the interpretation of this Lease.

7 39. County's Representative. County hereby appoints the Assistant County Executive
8 Officer/EDA or designee as its authorized representative to administer this Lease.

9 40. Acknowledgment of Lease by County. Upon execution of this Lease by the parties hereto,
10 County shall acknowledge this Lease in such a manner that it will be acceptable by the County Recorder for
11 recordation purposes, and thereafter, Lessee shall cause this Lease to be recorded in the Office of County
12 Recorder of Riverside County forthwith and furnish County with a conformed copy thereof.

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

25 42. FAA Consent to Lease. Lessee acknowledges that Hemet-Ryan Airport was transferred to the
26 County by the Federal Government and, as such, may require FAA consent to the Lease. If so required, the
27 Federal government's approval shall be considered a condition precedent under this Lease.

28 43. Entire Lease. This Lease 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 leases, agreements and
understandings, oral or written, in connection therewith. This Lease may be changed or modified only upon the
written consent of the parties hereto.

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

Dated: 8/19/2009

Bachelor Mountain Group, LLC
a California limited liability company

By: Randy Cliff
Randy Cliff, Member

By: Lloyd Cliff
Lloyd Cliff, Managing Member

Dated: SEP 15 2009

COUNTY OF RIVERSIDE

By: Jeff Stone
Jeff Stone, Chairman, Board of Supervisors

ATTEST:
KECIA HARPER-IHEM, Clerk of the Board

FORM APPROVED:
PAMELA J. WALLS
County Counsel

By: Dei Ekler
Deputy

By: Synthia M. Gunzel
Deputy

SYNTHIA M. GUNZEL

(SEAL)

Attachments:

- Exhibit A – Property Description
- Exhibit B – Federally Required Lease Provisions
- Exhibit C – FBO Minimum Standards
- Exhibit D – Storm Water Pollution Prevention Plan
- Exhibit E – County Resolution No. 2008-362 – Fuel Flowage Fees
- Exhibit F - Aircraft and Sublease Status Report

Final 8-05-09