

LEASE AGREEMENT

Between

COUNTY OF CONTRA COSTA

as Lessor

and

Conco Aviation Center, LLC

Guaranteed by Gonsalves & Santucci, Inc.

April 1, 2017

Contra Costa County
Buchanan Field Airport
550 Sally Ride Drive
Concord, CA 94520-5606
(925) 681-4200

**LEASE BETWEEN THE
COUNTY OF CONTRA COSTA**

AND

**CONCO AVIATION CENTER, LLC
GUARANTEED BY GONSALVES & SANTUCCI, INC.**

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LEASE BETWEEN THE
COUNTY OF CONTRA COSTA

AND

**CONCO AVIATION CENTER, LLC
GUARANTEED BY GONSALVES & SANTUCCI, INC.**

This lease agreement (“**Lease**”) is dated April 1, 2017 (the “**Effective Date**”) and is between of the COUNTY OF CONTRA COSTA, a political subdivision of the State of California (the “**County**” or “**Lessor**”), and **Conco Aviation Center, LLC** (“**Tenant**”).

RECITALS

- A. Lessor owns and operates Buchanan Field, a public airport located at Concord, California (the “**Airport**”), as shown on the Airport Layout Plan, which plan is on file in the office of the County Director of Airports (“**Director of Airports**”).
- B. Tenant desires to lease that certain real property consisting of 5.31 acres of land located at Buchanan Field Airport, commonly known as 700 Sally Ride Drive, Concord, California, as described in Exhibit A and Exhibit B (the “**Premises**”) for the purpose of operating a corporate hangar and auxiliary aviation business. The Premises includes the existing hangar and the Improvements (as defined below).
- C. Simultaneous with entering into this Lease, Gonsalves & Santucci, Inc (“**Guarantor**”), is executing a Guaranty of Lease dated April 1, 2017 (the “**Guaranty**”) as consideration for the County entering into this Lease. Under the Guaranty, Guarantor is guarantying the prompt payment by Tenant of all rents and all other sums payable by Tenant under the initial twenty (20) year term of the Lease and the faithful and prompt performance by Tenant of each and every one of the terms, conditions and covenants of this Lease to be kept and performed by Tenant.

The parties therefore agree as follows:

AGREEMENT

- 1. Lease: For and in consideration of the rent, fees, and faithful performance by Tenant of the terms and conditions and the mutual covenants hereof, Lessor hereby leases to Tenant, and Tenant hereby leases from Lessor the Premises, subject to all easements and encumbrances of record.

2. Lease Payment Fee: For and in consideration of the opportunity to lease the Premises, Tenant shall pay a one-time, non-refundable fee to Lessor in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) within ten (10) business days after the Effective Date.
3. Lease Capital Improvement Program: Tenant shall construct a minimum of 2,500 square foot office building to the Premises by March 1, 2022, (the “**Phase 1 Improvements**”). Tenant shall submit the construction plans for the Phase 1 Improvements by March 1, 2018. Tenant may construct additional office space (“**Phase II Improvements**”) during the Lease term. Together, the Phase 1 Improvements and the Phase II Improvements are the “**Improvements.**” All capital improvements, including the Improvements, must comply with Section 14 (Alterations and Additions).

4. Term:

- A. Term: The “**Term**” of this Lease is comprised of an initial term and two optional extension periods. The initial term is twenty (20) years, commencing on the Effective Date and ending March 31, 2037.
- B. Optional Extensions: Tenant has three options to extend this Lease for a term of ten years for each option (each such period, an “**Extension Period**”) upon all the terms, covenants and conditions set forth herein, provided (i) Tenant is not in default beyond any applicable cure period as of the commencement of the Extension Period, and (ii) Tenant is not in default on the day an Extension Notice, as defined below, is given.

Tenant shall provide the County with written notice of its election to extend the term of this Lease no earlier than two years prior to the end of the Term and no later than one year prior to the end of the Term. However, if the Tenant fails to provide such notice, its right to extend term of this Lease will not expire until ten (10) business days after Tenant’s receipt of the County’s written demand that Tenant exercise or forfeit the option to extend. If Tenant elects to exercise its right to extend the term of this Lease following receipt of a written demand from the County pursuant to this Section, Tenant must provide the County with written notice of its election on or before the tenth business day after Tenant’s receipt of the written demand.

- C. References to “Term”: Upon commencement of an Extension Period, all references to the Term of this Lease will be deemed to mean the Term as extended pursuant to this Section.
5. Holding Over: In the event Tenant remains in possession of the Premises after the expiration of the term of this Lease, such holding over may not be deemed to operate as a renewal or extension of this Lease, but shall only create a tenancy from month to month, which may be terminated at any time by Lessor or Tenant upon thirty (30) days written notice. All terms and conditions of this Lease then in place shall govern the month-to-

month tenancy.

6. Rent: Tenant shall pay rent commencing on the Effective Date. There are four forms of rent: Monthly Rent, Ground Rent, Percentage Rent and Other Additional Rent, each as defined below.

A. Monthly Rent. “**Monthly Rent**” consists of one hundred eighty monthly payments of \$5,361.62, payable on the first day of each month beginning April 1, 2018 and ending March 31, 2033.

B. Ground Rent: “**Ground Rent**” is payable monthly in advance in the amounts set forth below without offset or demand. Ground Rent is payable on the first day of each month during the Term. Ground Rent for any partial month will be prorated at the rate of 1/30th of the applicable rent per day.

i. Initial Ground Rent: During the first fifteen years of the Term, Ground Rent is equal to the following amounts:

<u>Period</u>	<u>Monthly Ground Rent</u>
April 1, 2017 – March 31, 2018	\$12,000
April 1, 2018 – March 31, 2019	\$12,000
April 1, 2019 – March 31, 2020	\$12,240
April 1, 2020 – March 31, 2021	\$12,485
April 1, 2021 – March 31, 2022	\$12,734
April 1, 2022 – March 31, 2023	\$12,989
April 1, 2023 – March 31, 2024	\$13,249
April 1, 2024 – March 31, 2025	\$13,514
April 1, 2025 – March 31, 2026	\$13,784
April 1, 2026 – March 31, 2027	\$14,060
April 1, 2027 – March 31, 2028	\$14,341
April 1, 2028 – March 31, 2029	\$14,628
April 1, 2029 – March 31, 2030	\$14,920
April 1, 2030 – March 31, 2031	\$15,219
April 1, 2031 – March 31, 2032	\$15,523
April 1, 2032 – March 31, 2033	\$15,834

ii. CPI Increases: With the exception of the year that begins on a Revaluation Date, as defined below, on April 1 of each year, beginning April 1, 2034, and continuing throughout the Term, Ground Rent will be increased (or remain unchanged, but not decreased), according to the change in the Consumer Price Index (“**CPI**”) for the most recent one-year period ending December 31, based on the CPI Factor, as defined below. Any one-year adjustment to Ground Rent based on the CPI Factor may not be by more than five and a half percent (5.5%) of the Ground Rent then in effect.

The “**CPI Factor**” means the percentage by which the “Index,” as defined below, for the most recent one-year period ending December 31 has increased over the Index in effect for the immediately preceding one-year period, calculated to the nearest one-tenth of one percent. The term “**Index**” means the Consumer Price Index, all Urban Consumers, All Items, for the San Francisco-Oakland-San Jose Metropolitan Area (1982–84 = 100), as published by the Bureau of Labor Statistics of the U.S. Department of Labor, or its successor or a substitute index published as a replacement for that index by the U.S. Department of Labor or by any other United States governmental agency.

Airport will notify Tenant of any increase in rent based on a CPI adjustment when Airport completes the calculation of increased rent. If such notice is given after the effective date of the increase, Tenant shall pay any increased rent retroactively to the effective date of the increase; provided, however, in no event will Tenant be required to pay the increased rent retroactively for a period greater than six (6) months.

iii. No Decrease in Ground Rent: In no event will the Ground Rent for any year be less than the Ground Rent in effect for the immediately preceding year. In the event there is a decrease in the CPI, Ground Rent for the years in question will be the same as the Ground Rent for the preceding year.

C. Revaluation of Ground Rent: Ground Rent will be adjusted in accordance with the revaluation process described below on April 1, 2033, 2037, and, if Tenant exercises its options to extend the Lease for the Extension Periods, April 1, 2047, 2057 and 2067 (each such date, a “**Revaluation Date**”). In no event will the Ground Rent for any year be less than the Ground Rent in effect for the immediately preceding year. In the event there is a decrease in the CPI or in the fair market rental value of the Premises, Ground Rent for the year in question will be the same as the Ground Rent for the preceding year. The revaluation of Ground Rent for the Leased Premises will be based on the average rent per square foot for comparable uses at Buchanan Field, using the Revaluation Process, defined below. The Lessor shall initiate the Revaluation Process prior to each Revaluation Date. Ground Rent established through the Revaluation Process is subject to adjustment for changes in the CPI Factor in accordance with Section 6.A., other than in those years that begin on a Revaluation Date.

i. Conditions of Revaluation: The revaluation of Ground Rent, including any appraisals prepared as part of the Revaluation Process, will be conducted as follows:

a. All negotiations and actions taken by the Lessor and Tenant under this Section will be undertaken and conducted by the parties in good faith.

- b. If the Revaluation Process is not concluded by the Revaluation Date, the Ground Rent determined by the Revaluation Process described herein will be retroactive to the Revaluation Date to which the Revaluation Process applies. Tenant shall make any retroactive payments of Ground Rent no later than thirty (30) days following the completion of the Revaluation Process.
 - c. Except as otherwise provided herein, no waiver by the Lessor of any of the provisions of this Section will be deemed to have been made by the Lessor, unless made expressly in writing by the Director of Airports and no waiver by Tenant will be deemed to have been made unless made expressly in writing by the duly authorized agent of Tenant.
 - d. All time periods specified in this Section will be counted in calendar days.
- ii. Revaluation Process: The “**Revaluation Process**” consists of the following:
- a. The Lessor shall determine the fair market rental value of the Premises (the “**Lessor Revaluation**”) and shall notify Tenant in writing of the amount of the new monthly Ground Rent (the “**Revaluation Notice**”).
 - b. If Tenant disagrees with the Lessor Revaluation, Tenant may file with the Lessor a dispute of the amount of Lessor Revaluation (“**Tenant Dispute**”) and include Tenant’s proposed Ground Rent revaluation amount. The Tenant Dispute must be in writing and delivered to the Director of Airports no later than twenty-one (21) days after the Revaluation Notice is delivered to Tenant (the “**Dispute Period**”). If Tenant does not file a Tenant Dispute with the Lessor within the Dispute Period: (i) the Lessor Revaluation will automatically be deemed to be accepted by Tenant, (ii) Tenant will be deemed to have waived the right to contest the amount specified in the Revaluation Notice, (iii) the new Ground Rent specified in the Revaluation Notice will become effective on the applicable Revaluation Date, and (iv) the Revaluation Process will be over.
 - c. If Tenant delivers a Tenant Dispute to the Lessor within the Dispute Period, the Lessor and Tenant will have twenty-one (21) days following the Lessor’s receipt of the Tenant Dispute to attempt to establish a new Ground Rent by negotiation (the “**Rent Negotiation Period**”). The Rent Negotiation Period may not be extended beyond the initial twenty-one (21) day period except by mutual written agreement of Tenant and the Director of Airports.

If Tenant and the Lessor agree in writing on the new monthly Ground Rent during the Rent Negotiation Period, the new monthly Ground Rent will become effective on the applicable Revaluation Date and both the Lessor and Tenant will be deemed to have waived the right to contest such new Ground Rent.

- d. If the Lessor and Tenant are unable to agree upon a new Ground Rent during the Rent Negotiation Period, then the Lessor and Tenant shall each appoint an appraiser to determine the fair market value of the Premises. The Lessor and Tenant shall identify the name of their appraiser by written notice to the other party. The appointment of the appraiser will be made and notice of the appointment will be given to the other party within twenty-one (21) days after the end of the Rent Negotiation Period (the “**Selection Period**”). Each appraiser must be a member of the American Institute of Real Estate Appraisers, have the designation of Member of the Appraisal Institute (“**MAI**”), and have current aviation appraisal experience in appraising property in the geographic area where the Premises is situated. Each party is responsible for paying the fees and costs of its appraiser.

In the event that Tenant does not appoint an appraiser and provide the Lessor with written notice of the appointment within the Selection Period: (i) the initial Lessor Revaluation will automatically be deemed to be accepted by Tenant, (ii) the new monthly Ground Rent, specified in the Revaluation Notice will become effective on the applicable Revaluation Date, (iii) Tenant will be deemed to have waived the right to further contest the amount of the Lessor Revaluation by arbitration or in any other manner, and (iv) the Revaluation Process will be over.

In the event that the Lessor does not appoint an appraiser and provide Tenant with written notice of the appointment within the Selection Period:, (i) the monthly Ground Rent will remain unchanged or will equal the fair market rental value determined by Tenant’s appraiser, whichever is greater, (ii) such monthly Ground Rent will become effective on the applicable Revaluation Date, (iii) the Lessor will be deemed to have waived the right to contest the amount of the new monthly Ground Rent by arbitration or in any other manner, and (iv) the Revaluation Process will be over.

If the Lessor and Tenant each properly appoint an appraiser during the Selection Period, both appraisers will make an independent determination of the fair market rental value of the Premises. Each appraisal must be completed and a copy of the appraisal report delivered to the other party no later than sixty (60) days from the date the appraiser was appointed (the “**Appraisal Period**”) unless

otherwise extended by the mutual agreement of the Lessor and Tenant.

Upon completion of both appraisals, the Lessor and Tenant shall make a final attempt to establish a new monthly Ground Rent by negotiation. If the Lessor and Tenant agree in writing on a new monthly Ground Rent, the new monthly Ground Rent will become effective on the applicable Revaluation Date and both the Lessor and Tenant will be deemed to have waived the right to contest such new Ground Rent.

- e. In the event that the Lessor and Tenant cannot agree on a revaluation of the monthly Ground Rent within thirty (30) days following the Appraisal Period, either the Lessor or Tenant may declare an impasse in the negotiations by providing written notice of the impasse to the other party. The written notice of impasse (the “**Final Proposal**”) will include all of the following information: (i) a statement that the declaring party has determined that negotiations have reached an impasse; (ii) the declaring party’s final proposed Ground Rent revaluation figure; (iii) a statement that the recipient has ten (10) business days to either give written acceptance of the amount of the Ground Rent revaluation specified in the Final Proposal or deliver a counter-final proposal (the “**Counter-Final Proposal**”) to the declaring party; and (iv) any other supplementary information as the declaring party deems appropriate. The party upon whom the Final Proposal is served shall then have ten (10) business days following receipt of the Final Proposal to either accept the Final Proposal or to reject the Final Proposal and deliver a Counter-Final Proposal to the declaring party. If either the Final Proposal or the Counter-Final Proposal is accepted in writing, then the new monthly Ground Rent will become effective on the applicable Revaluation Date and both the Lessor and Tenant will be deemed to have waived the right to contest such new Ground Rent.

If neither the Final Proposal nor the Counter-Final Proposal is accepted, not later than forty-five (45) days after delivery of the Final Proposal, the appraiser selected by the Lessor and the appraiser selected by Tenant will jointly select a third appraiser with the designation of MAI and with current aviation appraisal experience in appraising property in the geographic area where the Premises is situated. The third appraiser will determine the fair market value of the Premises. The third appraiser will render a final written decision within thirty (30) days of his appointment. The cost of the third appraiser will be shared equally by the Lessor and Tenant. The appraiser’s decision is binding on all parties and will apply retroactively to the Revaluation Date.

7. Percentage and Other Additional Rent:

- A. Percentage Rent: In addition to paying Monthly Rent and Ground Rent, Tenant shall pay Percentage Rent. “**Percentage Rent**” means an amount equal to two percent (2%) of the Gross Receipts, as defined below. Percentage Rent is due no later than the twentieth day of the month for goods sold and services provided by Tenant during the previous month.
- B. Gross Receipts: “**Gross Receipts**” means all revenue and receipts of the Tenant that is derived from or related to the Premises, including but not limited to the gross amount received from all sales and cash payments received therefor; credit extended at the time of a credit sale; all charges for services performed, including but not limited to sales of oil and other lubricants; lease payments from Subtenants; and the gross amount received from any and all of the sources of income derived from the businesses conducted on the Premises. Gross Receipts excludes the following:
- i. Federal, state and municipal sales taxes, excise taxes, gross receipts taxes and all other similar taxes separately stated or collected from customers.
 - ii. Receipts from wholesale sales of parts and accessories wherein the resale permit number issued by the Board of Equalization of the State of California, is necessarily used for such sale; provided, however, this exception applies to only those wholesale sales that do not exceed 5% of the retail sales of parts and accessories.
 - iii. Receipts from the sale of new and used aircraft; provided a flat fee of \$500 per transaction is paid to the Lessor upon the sale of each new and used aircraft.
 - iv. Commissions paid for financing or discounts to be paid by Tenant to secure financing for any of the business conducted or sales of any kind or nature by Tenant.
 - v. All revenue against which Tenant later provides a credit for returns to suppliers or manufactures.
 - vi. Amounts received by Tenant for settlement of any claims for loss or damage to products purchased by Tenant.
 - vii. Deposits received for any State recycling fund.
 - viii. Reimbursable expenses incurred by Tenant on behalf of its customers.

- ix. Receipts from the sale of fuel for which Tenant pays the County the Fuel Flowage Fee, as defined below.
 - x. Receipts from the storage of aircraft owned by the Guarantor, as defined in Recital C.
- C. Statement of Gross Receipts: Tenant shall furnish to the Lessor a written statement of monthly Gross Receipts (“**Statement of Gross Receipts**”) within sixty (60) days after the close of each calendar quarter.
- D. Certified Annual Statement: Within one hundred twenty (120) days following the close of Tenant’s fiscal year, and within one hundred twenty (120) days following the termination of this Lease, Tenant shall deliver to the Lessor an annual statement of Gross Receipts, certified as being correct by an authorized accounting officer of the Tenant (“**Certified Annual Statement**”). If the Certified Annual Statement shows that an additional amount of Percentage Rent is due and payable to the Lessor, Tenant shall make such payment currently with the delivery of the Certified Annual Statement to the Lessor.
- E. Records: The Lessor may inspect the books and records of Tenant and any and all Subtenants from which any Statement of Gross Receipts or Certified Annual Statement is prepared at any reasonable time upon request. For this purpose, Tenant shall keep for a period of five (5) years after submission of any such statement to the Lessor, all of Tenant’s records, books, accounts, and other data pertaining or necessary to the verification of Gross Receipts as defined herein, and shall, upon request, make the same available to the Lessor, the Lessor’s auditor, representative or agent for examination at any time during such 5-year period. Failure to keep, maintain, and make available the records, books, accounts, and other data required by this Section is a default of this Lease.
- F. Audits: The Lessor may, at the Lessor’s option, engage the services of an independent certified public accountant, who is not paid on a commission basis, to audit and verify the accuracy of Tenant’s records, books, and accounts, including the Certified Annual Statement. In the event the audit shows that an additional amount of Percentage Rent is due and payable to the Lessor, Tenant shall make such payment within seven (7) days of the Lessor’s demand therefore. If the audit shows that there has been an overpayment of Percentage Rent, the Lessor shall, at the sole option of the Lessor, promptly repay to Tenant the amount of such overpayment or credit same to future Rent next due the Lessor by Tenant, at the Lessor’s sole election. If the audit shows an underpayment by Tenant that is greater than five percent (5%) of the Percentage Rent paid to the Lessor, Tenant shall pay for the reasonable and actual cost of the audit.
- G. Charter Landing Fee: If Tenant or a subtenant of Tenant elects to conduct FAR Part 135 Charter operations to, from, or through the Premises, the Lessor is entitled to a landing fee for the FAR Part 135 Charter activity that is a minimum

of \$16 per landing for aircraft below 16,000 pounds or \$1.50 per 1,000 pounds for aircraft that are at or over 16,000 pounds (the “**Charter Landing Fee**”) in accordance with Section 7.A. In no event will any Charter Landing Fee be deemed Additional Rent nor does Tenant have any liability to the Lessor if a Subtenant is delinquent in its payment of a Charter Landing Fee.

- H. Fuel Flowage Fee: In the event Tenant self-fuels aircraft on the Premises, on the first day of each calendar quarter, Tenant shall pay to Lessor the Fuel Flowage Fee. For purposes of this Lease, the “**Fuel Flowage Fee**” is equal to the result obtained by multiplying (i) the number of gallons of aviation fuel purchased by any party using the Premises, including Tenant, and all Subtenants (as such term is defined in Section 11, Rental Operations) from any non-Airport source, by (ii) the stated per gallon fee in effect at the Buchanan Field Airport for other auxiliary aviation and corporate hangar tenants (the “**Per Gallon Fee**”). The Per Gallon Fee will increase annually by \$0.005 per gallon on March 1 of each year.

The Per Gallon Fee will be reviewed and may be revised by Lessor in its sole discretion every five (5) years after the Effective Date of this Lease. Lessor shall give notice to Tenant in writing of any revised Fuel Flowage Fee, which will be effective the month after such notice is given. It is understood that any fuel flowage fee schedule will apply uniformly to all Buchanan Field Airport corporate hangar and Auxiliary Aviation tenants at the time of the 5-year revision.

Tenant may operate a fueling facility or fuel truck on the Premises for the purpose of self-fueling of based aircraft only. All self-fueling must be in compliance with Federal Aviation Administration Advisory Circular 150/5190-5. No fueling of automobiles or trucks is allowed on the Premises. With respect to non-Tenant aircraft, Tenant may not taxi such aircraft to Tenant’s fueling facility, or deliver fuel to such aircraft by operation of a fuel truck, or provide any other assistance in the fueling of such aircraft.

- I. Records to Be Maintained: Tenant shall record all sales and other transactions, whether cash or credit, and shall keep full and accurate books of account and records in accordance with United States Generally Accepted Accounting Principles consistently applied, including without limitation, a sales journal general ledger, and all bank account statements showing deposits of gross receipts revenue. In addition, Tenant shall keep all cash register receipts with regard to gross receipts, credits, refunds and other pertinent transactions, as well as records of all other exclusions and deductions from Gross Receipts.
- J. Additional Rent: In addition to the Monthly Rent, Ground Rent and Percentage Rent, Tenant shall pay as additional rent, all other charges, costs and fees required to be paid by Tenant pursuant to the provisions of this Lease (such amounts, “**Additional Rent**,” and together with the Monthly Rent, Ground Rent and Percentage Rent, “**Rent**”).

8. Additional Payment Provisions:

- A. Late Rental Payments: In the event Tenant fails to pay Lessor any amount due under this lease within five (5) days after such amount is due, Tenant shall pay to Lessor a late charge of One Hundred and No/100 Dollars (\$100) per occurrence (the “**Late Charge**”), plus interest on the unpaid balance at a rate of one and one-half percent (1.5%) per month, from the date the payment was due and payable until paid in full. Tenant shall pay all Late Charges as additional rent on or before the date the next installment of rent is due. Lessor and Tenant hereby agree that it is and will be impracticable and extremely difficult to ascertain and fix Lessor’s actual damage from any late payments and, thus, that Tenant shall pay as liquidated damages to Lessor the Late Charge specified in this Section, which is the result of the parties’ reasonable endeavor to estimate fair average compensation for the late payment (other than attorneys’ fees and costs). Lessor’s acceptance of the Late Charge as liquidated damages does not constitute a waiver of Tenant’s default with respect to the overdue amount or prevent Lessor from exercising any of the rights and remedies available to Lessor under this lease.
- B. Form and Place of Payment: Tenant shall pay all rents and fees in cash or by personal check, certified check, or money order, payable to the County of Contra Costa, by delivering same on or before due date to the Director of Airports Office, 550 Sally Ride Drive, Concord, California 94520, or at such other place as Lessor may designate from time to time.
- C. Returned Checks: If a check written by Tenant is returned for insufficient funds, Lessor may impose a reasonable service charge in addition to any Late Charge and in addition to any charges imposed by the bank. Lessor may require Tenant to pay rent by certified check or money order if Tenant’s bank or banks have returned one or more personal checks within the preceding twelve (12) month period.
- D. Security Deposit: Upon execution of this Lease, Tenant will pay to Lessor the sum of Seventeen Thousand Three Hundred Sixty-Five Dollars (\$17,365) in cash as security for the faithful performance of the terms, covenants, and conditions of this lease (the “**Security Deposit**”).

Upon the occurrence of a Default, as defined in Section 29, Lessor may in its sole discretion (but is not required to) apply the Security Deposit, or any portion of it, to any expense, loss or (i) any rent or other sum owed to Lessor, (ii) any amount that Lessor may spend or become obligated to spend in exercising Lessor’s rights under this lease, or (iii) damage sustained by Lessor resulting from Tenant’s Default. Upon demand by Lessor, Tenant shall immediately pay to Lessor a sum equal to that portion of the Security Deposit expended or applied by Lessor as provided in this subsection so as to maintain the Security Deposit at its original level.

Upon the expiration or termination of this lease and (i) Tenant's satisfaction of the conditions set forth in Section 12. Condition of Premises, and (ii) a final accounting by Lessor, any remaining Security Deposit balance shall be refunded to Tenant, without interest. Tenant waives the provisions of California Civil Code section 1950.7, and all other provisions of law in force or that become in force after the date of execution of this lease, that provide that Lessor may claim from a Security Deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises. Lessor and Tenant agree that Lessor may, in addition, claim those sums reasonably necessary to compensate Lessor for any other foreseeable or unforeseeable loss or damage caused by the act or omission of Tenant or Tenant's officers, agents, employees, independent contractors or invitees.

9. Lessor Processing and Transaction Fees: In the event that Tenant requires or requests Lessor's review, investigation, processing, recordation, or any other action in connection with any Tenant document, proposal or other matter that requires Lessor's staff time and resources, other than time and resources of the Contra Costa County Airports Division (e.g., a proposed assignment or other transfer, or an estoppel certificate), Tenant shall pay Lessor a transaction fee of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) plus all of Lessor's costs, including, but not limited to, staff time at rates determined by the County Auditor for time spent in connection with the until the matter is complete ("Transaction Fee"). The Transaction Fee will increase by Five Hundred and No/100 Dollars (\$500.00) on every fifth anniversary of the Effective Date and is due thirty (30) days after demand therefor by Lessor.
10. Use of Premises: Except as otherwise provided herein, the Leased Premises may be used by Tenant only for the operation of a corporate hangar and as an auxiliary aviation site and related services, and for no other purpose.

A. Uses Permitted on the Premises:

The following are the only uses permitted on the Premises:

- i. Specialty aircraft services, which may include aircraft management, aircraft maintenance, aircraft chartering, aircraft detailing, unique aviation sales and services, and hangar space rental.
- ii. Storage of aircraft leased or owned by Tenant.
- iii. Hangar storage of aircraft, other than Tenant-owned or Tenant-leased aircraft, pursuant to a Rental Agreement, as defined below, entered into in accordance with Section 11.
- iv. Maintenance of aircraft owned by Tenant or a Subtenant, provided that such maintenance is performed ONLY by (i) owner of the aircraft, (ii) a

bonafide employee or contractor of the owner of the aircraft, or (iii) an established Buchanan Field Airport Fixed Based Operator.

- v. Operation of corporate aircraft on a non-commercial aviation basis.
- vi. Aviation-oriented use of office space.
- vii. Self-fueling of based aircraft pursuant to Section 7.H.
- viii. Hangar storage of aircraft other than Tenant-owned or Tenant-leased aircraft pursuant to a Rental Agreement, as defined below, entered into in accordance with Section 11.
- ix. FAR Part 135 charter operations, including enplanement or disenplanement of passengers as approved in writing by the Director of Airports.
- x. Commercial aviation operations that are approved in advance and in writing by the Director of Airports.

B. Uses Not Permitted on the Premises:

- i. Maintenance, except as expressly permitted in subsection A above.
- ii. Any use not explicitly listed in subsection A above.
- iii. Aircraft fueling for commercial purposes.
- iv. Leaving aircraft (whether belonging to Tenant or any Subtenant) unattended on aprons not abutting taxi lanes.

Two violations of subsection B within a twelve-month period is a default of this Lease.

Tenant may not use the premises for any other purpose without the Director of Airport's express prior written consent. Any use of the premises other than as described herein without the Director of Airports' prior written consent is a default of this lease.

11. Rental Operations:

- A. Subject to the terms of this Section, Tenant may rent hangar space and office space to subtenants (each, a "**Subtenant**") pursuant to the rules and regulations adopted from time to time by the Airport, including but not limited to the following:
 - i. All office and hangar rental agreements (each, a "**Rental Agreement**") are subject to the terms and conditions of, and be subordinate to, this

Lease. The term of a Rental Agreement may not be greater than the term of this Lease.

- ii. Rental Agreements do not create a landlord-tenant or any other legal relationship between the Lessor and Tenant's Subtenant.
- iii. Tenant is, and at all times will remain, entirely responsible for the full performance of this Lease.
- iv. Tenant or its authorized representative must be available during normal business hours, either at the Airport or by telephone/email to discuss the rental of hangar space and to conduct business.
- v. By December 1 each year, Tenant shall give the Lessor a list of the name, address, phone number, and email address of all current Subtenants, along with the identification and make of all of each Subtenant's hangared aircraft and a description of each Subtenant's business activity, if applicable.
- vi. Tenant is responsible for all materials stored in the hangars, whether the materials are stored by Tenant or Tenant's agents, employees, or Subtenants.
- vii. No commercial aviation operations are permitted without the prior written consent of the Director of Airports.

B. Additional Terms Applicable to Commercial and Charter Rental Agreements:

- i. Tenant shall cause each Subtenant conducting commercial activities or charter operations to enter into a license agreement with the Lessor that governs the payment of the commercial license fee and/or Charter Landing Fee by the Subtenant directly to the Lessor (a "**License Agreement**").
- ii. Tenant shall use good faith efforts to cause all Subtenants of the Premises who elect to conduct FAR Part 135 Charter operations to, from, or through the Premises, to strictly comply with the provisions of this Section 11.B.
- iii. If a Subtenant is found to be conducting any commercial aviation activity in a hangar or office space without the written consent of the Director of Airports, Tenant shall immediately serve the Subtenant of such hangar or office space with a thirty (30) day cure or quit notice and concurrently serve the Director of Airports with a copy of such notice. If the offending Subtenant fails to cause the cessation of such commercial activity within thirty (30) days of the cure or quit notice, Tenant shall terminate the Subtenant's Rental Agreement.

- iv. Tenant does not have any liability to the Lessor if a Subtenant is delinquent in or is otherwise in violation of the provisions of a License Agreement.
- v. Tenant shall include provisions in all commercial and charter rental agreements to require that Subtenant:
 - a. Pay the Lessor the commercial license fee and/or Charter Landing Fee.
 - b. Acknowledge that the underlying leased premises are owned in fee by Lessor and that the Tenant has entered into a lease with Lessor for the Leased Premises.
 - c. First enter into a License Agreement with the Lessor to engage in commercial operations on the Premises pursuant to the license provisions of the Lease and subject to terms and conditions established between Lessor and Subtenant for the privilege of conducting its business at the Airport and in consideration for the impacts such commercial operations may have on the Airport.
 - d. Not operate any commercial operations under a Rental Agreement until a License Agreement has been executed by Lessor and the Subtenant.
 - e. Provide Tenant with a copy of any executed License Agreement and immediately inform Tenant of the termination of any such License Agreement.
 - f. Acknowledge that in the event Subtenant (i) engages in commercial operations on the Leased Premises without having first entered into a License Agreement, (ii) is in default or breach of his or her License Agreement with the Lessor, or (iii) has its License Agreement terminated for any reason and Subtenant nevertheless continues to engage in commercial operations on the Leased Premises, Subtenant's Rental Agreement can be terminated by the Tenant.
 - g. Upon notification by the Lessor to Tenant of a violation of the provisions of this Section 11, or a License Agreement by a Subtenant, Tenant shall within ten (10) days of receipt of such written notice, either (i) cancel or otherwise terminate the Rental Agreement, or (ii) cure the default under the License Agreement. Lessee's failure to either terminate the Rental Agreement or cure the default under the License Agreement is a default under this Lease.

12. Condition of Premises:

A. No Warranty: Tenant is leasing the Premises in an “as is” physical condition with no warranty, express or implied, on the part of Lessor as to the physical condition of the Premises, including but not limited to, the condition of any existing improvements., the soil and the geology of the soil, the air, surface water and groundwater, the presence of known and unknown faults, the presence of Hazardous Materials and all other kinds of contamination and pollutants of any kind in the air, soil, groundwater and surface water, and the suitability of the Premises for the construction and use of the improvements thereon.

B. Tenant Independent Investigation: It is the sole responsibility of Tenant, in its sole cost and expense, to investigate the condition of the Premises to its satisfaction, including (i) the suitability of the soil, geologic, environmental and seismic conditions of the Premises for the intended use contemplated herein, and (ii) the presence of any contaminants, or Hazardous Materials, as defined in Section 18.A., in air, soil, groundwater and surface water in, on, or under the Premises and pollutants of any kind located on or within the Premises. This Lease imposes no responsibility or obligation on Lessor to prepare or implement any remediation plan or to attain remediation of the Premises to a level of standard required for Tenant’s use or any other purpose. Lessor makes no warranties, representations, covenants, or agreements concerning remediation for the purposes of Tenant’s use or any changes in Environmental Laws, as defined in Section 18.B., affecting such uses.

The respective agreements and obligations of Lessor and Tenant under this Section 12 will survive the expiration or termination, for any reason, of this Lease.

C. No Concealment: Notwithstanding anything in this Lease to the contrary, Lessor represents to Tenant that Lessor is not concealing any knowledge of the presence of contamination possessed by the current officers and managers of the Airport. However, Lessor makes no representation regarding what would be revealed by a review and search of its records, interviews of its employees or past employees or the undertaking of due diligence to discover any information or knowledge not now known to its present officers and managers.

D. Maintenance: Tenant shall maintain the Premises in accordance with Section 15. Maintenance, Repair and Storage.

13. Utility Obligations: Tenant shall pay, on Tenant’s own account, all charges for utilities used or consumed on the Premises, including, but not limited to, gas, water, electricity, garbage disposal, storm water and sanitary sewer services, janitorial services, and telephone services.

In the event Lessor, or any utility company, requires that any existing or new overhead

distribution system be installed underground, Tenant shall, at its own cost and expense, provide all necessary facility changes on the Premises so as to receive such services.

14. Alterations and Additions:

- A. Tenant may not do any of the following: (i) erect or place any additional structures on the Premises, (ii) make any improvements or alterations to the exterior of any Tenant's Buildings, aircraft, ramp, parking area or landscaping, (iii) make any improvements or alterations to the interior of any of Tenant's Buildings that require the issuance of a building permit without written consent of Lessor. Tenant shall provide the Director of Airports with written plans detailing any proposed improvement. If the Director of Airports does not provide a written response to Tenant's proposed changes within thirty (30) days of the date the Director of Airports confirms his receipt of such plans, the proposed improvement will be deemed approved by the Director of Airports. The Director of Airports may not unreasonably withhold or condition its approval of any proposed improvement.
- B. In the event Tenant makes alterations, constructs additions, or adds additional structures that violate the conditions contained in this Lease (an "**Unauthorized Addition**"), at the Director of Airports sole discretion, Tenant shall remove all or any portion of such Unauthorized Addition at Tenant's sole cost and expense. If Tenant is required to remove any Unauthorized Addition, Tenant, at its sole cost and expense, shall restore the Premises to substantially the condition existing immediately prior to the existence of the Unauthorized Addition, or such other condition designated by Lessor in its election. If Tenant is not required to remove all or any portion of the Unauthorized Addition, then at the Director of Airports sole discretion will advise Tenant if all or any portion of the Unauthorized Addition will remain on and be surrendered with or be removed from the Premises, at the Tenant's sole cost and expense, on the expiration or termination of the Lease.
- C. If the Director of Airports has given written consent to Tenant, permitting Tenant to make certain alterations or make any additional improvements to the Premises, Tenant may not commence construction until Tenant has (i) obtained all necessary building permits and all other approvals required, and (ii) provided Lessor with twenty (20) days advance written notice of the commencement of such construction. In addition, Tenant shall cause a Notice of Lessor Non-Responsibility to be posted and recorded during construction in accordance with Civil Code Sections 3094 and 3129. A copy of the notice is to be mailed to Lessor upon filing it with the County Recorder.

15. Maintenance, Repair and Storage:

- A. Premises Maintenance: Tenant shall, at its sole expense, throughout the term of this Lease, maintain the Premises improvements and appurtenances thereto,

including but not limited to, Tenant's Buildings and other structures, signs, driveways, parking surfaces, curbs, walkways, perimeter fences, landscaping, drainage and sewage lines, utility lines, irrigation systems and other facilities (collectively, the "**Improvements**"), in a first-class condition, ordinary wear and tear excepted. Tenant shall cause all maintenance, repairs, and replacements to be of a quality substantially equal to the original material and workmanship. Lessor is the sole judge of the maintenance standards required.

Tenant shall perform all maintenance and repairs in compliance with, and all maintenance and repairs necessary to comply with, all applicable statutes, ordinances, resolutions, regulations, orders, and policies now in existence or adopted from time to time by the United States, the State of California, the County of Contra Costa and other government agencies with jurisdiction over the Airport.

If Tenant fails to perform its maintenance obligations as described herein within thirty (30) days of written notice by County to Tenant of such failure, County shall have the right to enter upon the Premises and to perform such necessary maintenance obligations and Tenant shall be required to reimburse County for the costs thereof within ten (10) days after receipt of an itemized invoice therefore. If such maintenance obligations are of such a nature that they cannot reasonably be completed within such thirty (30) day period, Tenant shall be deemed to have performed its maintenance obligations within such thirty (30) day period if Tenant has started such maintenance obligations within such thirty (30) day period and diligently pursues such maintenance obligations to completion.

- B. Lease Maintenance Plan: In order to determine what maintenance is required to maintain the aircraft hangars, office space, aircraft taxi space, aircraft ramp, the parking area(s), any other facilities and landscaping on the Premises (together, the "**Improvements**") in a "first class condition," as required by this Lease, through the remaining term of the Lease (such maintenance, the "**Maintenance Work**"), the Lessor and Tenant shall conduct a joint inspection of the Improvements. The joint inspection is to occur not earlier than April 1, 2035 and not later than April 1, 2036 or not earlier than April 1, 2045 and not later than April 1, 2046 or not earlier than April 1, 2055 and not later than April 1, 2056 or not earlier than April 1, 2065 and not later than April 1, 2066 if the Tenant elects to extend the Lease pursuant to Section 4.B.

The Maintenance Work may include, but is not limited to, the following:

- i. Interior and exterior building improvements, including roof, doors, windows, signage, street facades, painting, flooring, fixtures (i.e., lights, toilets and sinks), et cetera.
- ii. The replacement of asphalt, and the cut and repair of any concrete features on the aircraft ramp and in the parking lot of the Premises.

- iii. The repair, replacement, and upgrade of HVAC.
- iv. The repair, replacement and upgrade of plumbing and electrical systems in the offices and aircraft hangars.

Within ninety (90) days after the joint inspection of the Premises, Tenant shall prepare and submit to the Director of Airports for his approval a detailed plan that itemizes the Maintenance Work to be performed (the “**Maintenance Plan**”). The Maintenance Plan must include a timeline for the performance of the Maintenance Work and the expected cost of the Maintenance Work. The Director of Airports will review the Maintenance Plan and approve or disapprove it within thirty (30) days of receipt. If the Maintenance Plan is not approved by the Director of Airports, the Director of Airports shall set forth in writing and notify Tenant of his reasons for withholding such approval. Tenant shall thereafter submit a revised Maintenance Plan to the Director of Airports, which approval is to be granted or denied within thirty (30) days of receipt in accordance with the procedures set forth above. The Director of Airports may not unreasonably withhold approval of a Maintenance Plan. If a Maintenance Plan has not been approved by December 1, 2036 or December 1, 2046, 2056, or 2066 if Lease was extended, Tenant will be in default of this Lease. Tenant’s failure to execute the Maintenance Plan is a default of this Lease.

If at any time the Lessor determines that it will require Tenant to remove a particular Improvement pursuant to Section 26, the Lessor shall give Tenant prompt written notice of such determination, and thereafter Tenant will not be required to comply with the terms of this Section 15 with respect to such Improvement. Notwithstanding the above, Tenant has an ongoing obligation to maintain all Improvements in accordance with Section 15.A.

- C. Plans and Lessor’s Approval: Prior to commencing any Maintenance Work, Tenant shall obtain the Director of Airports’ written approval of all plans prepared by architects, engineers or contractors that relate to the Maintenance Plan, and all modifications or amendments thereto, (including all working drawings and other supplements thereto, but excluding immaterial field changes).
- D. Tenant Responsibility for Maintenance Work: Tenant is solely responsible for obtaining all necessary permits and approvals and for paying any and all fees required for the Maintenance Work. Approval of the Maintenance Plan by the Director of Airports does not constitute a representation or warranty as to its conformity with other requirements, and responsibility therefor remains at all times in Tenant.

Tenant shall cause all Maintenance Work to be constructed in conformance with: (i) all requirements of the Lessor, (ii) the Maintenance Plan, (iii) all applicable statutes, ordinances, building codes, Airport Policy and Standards for

Development, and rules and regulations of the Lessor, and (iv) the rules and regulations of all other authorities having jurisdiction over the Premises or Tenant's operations thereon, including, but not limited to, the Contra Costa County Department of Conservation and Development, the Contra Costa County Public Works Department and the Federal Aviation Administration.

- E. Performance Bond: Not less than ten (10) working days before the commencement of maintenance pursuant to the Maintenance Plan, Tenant shall, at its sole cost and expense, furnish to the Lessor a performance bond of a surety company licensed to transact business in the State of California, or other type of security satisfactory to the Lessor, that (i) is in the amount of one hundred percent (100%) of the total estimated cost of the Maintenance Work that is being performed, (ii) names Tenant as principal, and (iii) guarantees faithful performance of all construction work associated with the Maintenance Plan by March 31, 2041, or such earlier date as is identified in the Maintenance Plan as the date the maintenance work will be completed. The performance bond or other security must be in a form acceptable to the Lessor.
- F. Payment Bond: Not less than ten (10) working days before the commencement of maintenance pursuant to the Maintenance Plan, Tenant shall, at its sole cost and expense, furnish to the Lessor either of the following: (i) a payment bond of a surety company licensed to transact business in the State of California that (x) is in the amount of one hundred percent (100%) of the total estimated cost of the Maintenance Plan and all other necessary appurtenances specific therein, and (y) guarantees the payment of all labor, materials, provisions, supplies and equipment used in, upon, for or about the performance of the construction work; or (ii) an alternate form of security that is acceptable to the Lessor in its sole discretion. The payment bond must be in a form acceptable to the Lessor and must satisfy the requirements of California Civil Code section 3248.
- G. Inspection and Acceptance: Tenant shall obtain all applicable permits and authorizations of, all local, state, federal and other government agencies and entities that have jurisdiction over the Maintenance Work, including but not limited to, the Contra Costa County Department of Conservation and Development and the Contra Costa County Public Works Department. All Maintenance Work is subject to inspection, testing, and acceptance in accordance with applicable laws, rules, regulations, and requirements of all governmental agencies and entities that have jurisdiction over the Maintenance Work. Nothing in this Lease is to be construed as approval of any permit or authorization of any local, state, or federal government agency or entity that has jurisdiction over the Maintenance Work.
- H. No Warranties: The inspection, testing and acceptance by the Lessor under this or any other section of this Lease, of any plans submitted by or acts performed by Tenant does not constitute a warranty by the Lessor, and does not relieve Tenant of its obligation to fulfill the provisions of this Lease and of the Maintenance Plan

as approved by the Lessor, nor is the Lessor thereby estopped from exercising any of its remedies provided at law or equity or under this Lease.

- I. Engineering: Tenant is responsible for all engineering work and the accuracy thereof. Any material deviations from the Maintenance Plan approved by the Director of Airports must have prior written approval by the Lessor.
 - J. Paving and Concrete: As required under Section 16, and as necessary during the Term of this Lease, Tenant shall upgrade the pavement for the aircraft movement areas within the Premises, and the concrete floors in the Hangars, to enable them to accommodate the heaviest aircraft expected to operate in the area, or a fully loaded fuel truck, whichever is heavier. When installed, the pavement must have an expected pavement life of at least twenty (20) years. All road access must be in compliance with Lessor Public Works Department standards.
 - K. Notice of Non-Responsibility: Tenant shall cause a notice of the Lessor non-responsibility to be posted and recorded by Tenant during construction in accordance with Civil Code Sections 3094 and 3129. A copy of the notice must be filed with the Lessor Recorder and mailed to the Director of Airports after filing.
 - L. Storage on Premises: No materials, supplies, products, equipment or other personal property that is not directly necessary for the operation of Tenant's business, and no vehicles other than Tenant's employees' personal vehicles and the fuel truck described in Section 10. Use of Premises, shall be permitted to remain on any portion of the Premises without the prior written consent of the Director of Airports. Tenant shall store personal property items, supplies and materials and combustibles inside the Tenant's Buildings in a safe, neat and sanitary manner.
16. Lawful Conduct: Tenant shall obey and observe, and shall ensure that all persons entering upon the Premises obey and observe, all the terms and conditions of this Lease and all statutes, ordinances, resolutions, regulations, orders, and policies now in existence or adopted from time to time by the United States, (including, but not limited to, the Federal Aviation Administration) the State of California, the County of Contra Costa, the Central Contra Costa Sanitary District, the San Francisco Bay Regional Water Quality Control Board, and all other government agencies with jurisdiction over the Airport (collectively, the "**Applicable Laws**") including, but not limited to, Applicable Laws concerning health, safety, fire, accessibility, police, and the environment.

Tenant shall pay all fines and penalties levied against it by any government agency for Tenant's violation of any Applicable Law associated with activities on the Premises.

17. Waste, Quiet Conduct, Nuisance, Pollution: Tenant may not commit, or suffer to be committed, any waste upon the Premises or any nuisance or other act or thing that may disturb the quiet enjoyment or the use of the Airport or surrounding property.

Tenant shall provide, as legally required, a separate drainage, collection, and/or liquid waste separation system to ensure that no untreated liquid waste from any type of operation, including aircraft cleaning and oil change operations, enters the Airport storm drainage or sanitary system.

Tenant may not permit any activity on the Premises that directly or indirectly produces unlawful or excessive amounts or levels of air pollution, (e.g., gases, particulate matter, odors, fumes, smoke, dust), water pollution, noise, glare, heat emissions, trash or refuse accumulation, vibration, prop-wash, jet blast, electronic or radio interference with navigational and communication facilities used in the operation of the Airport or by aircraft, or any other activity that is hazardous or dangerous by reason or risk of explosion, fire, or harmful emissions.

18. Hazardous Materials:

A. Definition of Hazardous Materials: As used in this Lease, the term “Hazardous Materials” means any hazardous or toxic substance, hazardous or radioactive material, or hazardous waste, pollutant or contaminant at any concentration that is or becomes regulated by the United States, the State of California, or any local government authority having jurisdiction over the Premises. Hazardous Materials include, but are not limited to, the following: (i) Any “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste,” as defined in Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health & Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) any “hazardous substance” as that term is defined in Section 25316 of the California Health & Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) any material or substance listed as a chemical known to cause cancer or reproductive toxicity pursuant to Section 6380 of the California Labor Code, Division 5, Part 1, Chapter 2.5 (Hazardous Substances Information and Training Act); (iv) any “hazardous waste” as that term is defined in the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.* (42 U.S.C. Section 6903); (v) any “hazardous substance” as that term is defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601 *et seq.* (42 U.S.C. Section 9601); (vi) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance, within the meaning of any other applicable federal, state, or local statute, ordinance, resolution, regulation, order, policy, or requirement, including consent decrees and administrative orders imposing liability or standards of conduct concerning any hazardous, dangerous, or toxic waste, substance, or material, now or hereafter in effect; (vii) any petroleum product; (viii) any radioactive material, including any “source materials”, “special nuclear materials”, or “byproduct material” as defined in 42 U.S.C. Section 2011 *et seq.*; (ix) any asbestos in any form or condition; and (x) any polychlorinated biphenyls (PCBs) and any substances or any compounds containing PCBs.

B. Use of Hazardous Materials: Tenant may not cause or permit any Hazardous

Material, as defined in this Section, to be generated, brought onto, stored, used, emitted, released, discharged or disposed of in, on, under, or about the Premises by Tenant or its officers, employees, agents, contractors, renters, guests or invitees, except for limited quantities of (i) standard office and janitorial supplies containing chemicals categorized as Hazardous Materials; (ii) motor oils, hydraulic fluids, fuel and other materials commonly used in aircraft storage and fueling facilities; (iii) such other Hazardous Materials as are approved in advance in writing by Lessor. During the term of this Lease, Tenant shall strictly comply with all applicable laws, statutes, ordinances, regulations, orders, etc., in effect that relate to public health and safety and protection of the environment including, but not limited to those identified in this Section (“**Environmental Laws**”).

- C. Notification to the Director of Airports: If, during Term of this Lease, Tenant becomes aware of (i) any actual or threatened release of any Hazardous Materials on, under, or about the Premises; or (ii) any inquiry, investigation, proceeding, or claim by any government agency or other person regarding the presence of Hazardous Material on, under, or about the Premises, Tenant shall (i) immediately provide verbal notification to the Director of Airports and (ii) provide written notification of such release or investigation to the Director of Airports within twenty-four (24) hours after learning of it. In the event Tenant receives any claims, notices of violation, reports, or other writing concerning the aforementioned release or investigation, Tenant shall furnish copies of all such materials to Lessor no later than the business day following Tenant’s receipt thereof.

Notification to the Director of Airports under this Section does not relieve Tenant of any obligation to notify any government agency under any Applicable Law.

- D. Indemnification: Tenant shall, at Tenant’s sole expense and with legal counsel reasonably acceptable to Lessor, indemnify, protect, defend, and hold harmless Lessor and Lessor’s officers, employees, agents, and contractors from and against any and all demands, losses, claims costs, suits liability and expenses including without limitation, attorney’s fees and consultant fees arising out of or relating to the violation by Tenant or Tenant’s officers, employees, agents, contractors, Subtenants, renters, guests or invitees of any Environmental Laws or the use, handling, generation, emission, release, discharge, storage or disposal of any Hazardous Materials by Tenant or Tenant’s officers, employees, agents, contractors, Subtenants, renters, guests or invitees. This indemnification applies whether or not the concentration of such Hazardous Materials exceed state or federal maximum contaminant or action levels or whether any government agency has issued a cleanup order. Losses, claims, costs, suits, liability, and expenses covered by this indemnification provision include, but are not limited to: (i) losses attributable to diminution in the value of the Premises; (ii) loss or restriction of use of rentable space on the Premises; (iii) adverse effect on the marketing of any rental space on the Premises; and (iv) penalties and fines levied by, and remedial or enforcement actions of any kind issued by any regulatory agency (including but

not limited to the costs of any required testing, remediation, repair, removal, cleanup or detoxification of the Premises and surrounding properties). Tenant is not required to indemnify Lessor against liability arising solely as a result of Hazardous Materials that are present in, on, under or about the Premises as of the Effective Date of this Lease. This indemnification clause will survive any expiration or termination of this Lease.

19. Stormwater Discharge: Lessor has applied for and received a National Pollutant Discharge Elimination Permit (“NPDEP”) under the Federal Clean Water Act, which covers Tenant’s operations on the Premises. In accordance with Section 16, Lawful Conduct, of this Lease, Tenant shall comply with (i) all laws and regulations arising under the Federal Clean Water Act that are applicable to Tenant’s operations on the Premises; and (ii) Lessor’s NPDEP.

Tenant shall ensure that no pollution or Hazardous Materials of any type is discharged into the stormwater system at the Airport, and shall comply with Lessor’s NPDEP in all respects and in accordance with the Stormwater Control Plan and Stormwater Control Operation and Maintenance Plan for the Premises, and any amendments thereto, and in accordance with all applicable laws and regulations and other Lessor requirements. Copies of the Stormwater Control Plan and Stormwater Control Operation and Maintenance Plan for the Premises will be maintained on file at the Contra Costa County Public Works Department and are incorporated herein by reference.

Tenant is responsible for any discharge by Tenant, its officers, employees, agents, contractors, renters, guests or invitees during the entire term of this Lease. Any fine or remedial action required of Lessor, by any agency or agencies having jurisdiction over the Airport, as a result of actions or discharges from the Premises by Tenant, its officers, employees, agents, contractors, renters, guests or invitees, will be charged to Tenant, and Tenant shall immediately reimburse Lessor for these costs upon demand. In addition, any discharge of pollutants or Hazardous Materials, as defined herein, on or from the Premises is a default under this Lease and is grounds for its termination.

20. Rules And Regulations: Tenant shall observe and obey all policies, rules, and regulations promulgated by Lessor’s Board of Supervisors and any other government entities or agencies having jurisdiction over the Airport.
21. Noise Ordinance: Tenant shall comply with County Ordinances 87-8 and 88-82, as amended, and all other rules and ordinances relating to noise standards at the Airport, as may be approved from time to time by the County Board of Supervisors.
22. Security: Lessor has no obligation to provide security to the Premises. Tenant shall provide, through the use of buildings, structures, walls, fences, gates and similar barriers, or a combination thereof, uninterrupted on-site security at all times for the prevention of unauthorized pedestrian and vehicular access to the aircraft operating area by way of the Premises. Tenant shall control direct or indirect points of entry to the aircraft operating area to accommodate authorized individuals and authorized vehicles in compliance with

FAA and Airport security requirements. Tenant shall also provide security for on-site facilities, such as vehicular parking lots, buildings, hangars and fueling facilities on the Premises. Tenant shall provide adequate lighting to provide for all-night illumination of the perimeter of all buildings on the Premises, including, aprons, aircraft tie-down areas, vehicular parking lots and pedestrian walkways surrounding the Premises. If at any time during the Term of this Lease additional security requirements are imposed on the Airport by the FAA or any other agency having jurisdiction over the Airport, Tenant shall comply with said security requirements at Tenant's sole expense. If Airport is fined by FAA for a security violation caused by Tenant, Tenant shall immediately reimburse Lessor upon demand.

23. Indemnification: Tenant shall defend, hold harmless, and indemnify the Indemnitees (as defined below) from the liabilities defined in this Section 23.
- A. **"Indemnities"** means Lessor, its governing body, elective and appointive boards, commissions, officers, employees, representatives and agents.
 - B. **"Liabilities"** means any liability or claim for damage of any kind allegedly suffered, incurred or threatened because of an Act (as such term is defined below) and such liabilities shall include, but are not limited to personal injury, death, property damage, inverse condemnation claims of third parties or any combination of these, and including the defense of any suits or actions at law or equity concerning these.
 - C. An **"Act"** means any act, intentional or negligent, or omission by Tenant, its officers, employees, agents, representatives, invitees, contractors, Subtenants, renters or guests in connection with the occupancy and use of the Premises by Tenant, its shareholders, or any Subtenant, renter or assignee, or the matters covered by this Lease, or claimed to be attributable to Tenant, its officers, employees, agents, representatives, invitees, contractors, Subtenants, renters, guests, assignees, or one or more of them;
 - D. The promise and agreement in this Section are not conditioned or dependent on whether Tenant or Lessor has prepared, supplied, or approved any plans or specifications in connection with work performed pursuant to Section 14. Alterations and Additions, or Section 15. Maintenance, Repair and Storage, or has insurance or other indemnification covering any of these matters. This indemnification clause will survive any expiration or termination of this Lease.
24. Insurance: Tenant shall procure and maintain, at its own cost and expense, at all times during the Term of this Lease, the following policies issued by insurance companies authorized to do business in California, with a financial rating of at least an A-status (unless otherwise stated below) as rated in the most recent edition of Best's Insurance Reports:
- A. Commercial General Liability and Property Damage Insurance: Tenant shall obtain and maintain, owner, landlord, and tenant commercial general liability

insurance with a financial rating of at least an A- or P status (pooled insurance coverage) covering and insuring all parties hereto (including naming Contra Costa County and its officers, agents, and employees as additional insureds under the policy or policies) with a minimum combined single limit coverage of Three Million and No/100 Dollars (\$3,000,000.00) for all damages due to bodily injury, sickness or disease, or death to any person and damage to property, including the loss of use thereof, arising out of each accident or occurrence arising out of Tenant's leasehold interest in, or maintenance or use of, the Premises and all operations necessary or incidental thereto. Liability insurance will be factored periodically to maintain adequate coverage.

- B. Property and Fire Insurance: Tenant shall insure for fire and extended coverage risks all personal property, improvements, and alterations in, on, or about the Premises. Such insurance must be in an amount equal to one hundred percent (100%) of insurable, full replacement value of any improvements located on thereon, and include vandalism and malicious mischief endorsements. Such property insurance policies must contain loss payable endorsements in favor of the parties as their respective interests may appear hereunder.
 - C. Worker's Compensation: Tenant shall obtain workers' compensation insurance as required by law, covering all employees of Tenant, and such insurance shall be kept in force during the entire Term of this Lease.
 - D. Form of Policies: Tenant shall cause all policies of insurance required by this Section to be in such standard form and written by such qualified insurance companies as is satisfactory to Lessor. Tenant shall provide evidence of such insurance to Lessor in the form of (i) a copy of the policies, and (ii) a duly executed certificate of insurance. All of such certificates shall name "Contra Costa County, its officers, agents, and employees" as additional insureds. Said policy or policies or certificates shall contain a provision that written notice of policy lapses, cancellation or any changes thereto shall be delivered to Lessor no fewer than thirty (30) days in advance of the effective date thereof.
 - E. Notice: Tenant shall give Lessor prompt and timely notice of any claim made or suit instituted of which it has knowledge and which could in any way directly, contingently or otherwise, affect either Tenant or Lessor or both, and both Tenant and Lessor shall have the right to participate in the defense of such claim or suit to the extent of its respective interest.
25. Taxes: Tenant agrees to pay before delinquency all taxes (including, but not limited to, possessory interest tax), assessments, and other charges that are levied and assessed upon Tenant's interest in the Premises, or upon Tenant's personal property installed or located in or on the Premises, by Contra Costa County and other legally authorized government authority. Tenant may pay any taxes and assessments under protest, without liability, cost or expense to Lessor, to contest the amount in good faith.

26. Inspection, Access and Notice: Upon twenty-four (24) hour written notice to Tenant, Lessor and its agents may enter and inspect the Premises and any and every building, structure, or improvement thereon. Lessor also has the right to serve or to post and to keep posted on the Premises, or on any part thereof, any notice permitted by law or this Lease, including but not limited to a notice pursuant to Section 3094 of the Civil Code. Lessor is not liable in any manner for any inconvenience, disturbance, loss of business, or other damage arising out of Lessor's entry on the Premises as allowed in this Section. Lessor shall conduct its activities as allowed in this Section in a manner that will cause the least possible inconvenience, annoyance, or disturbance to Tenant, and may not materially interfere with access to or use of the Premises. Tenant shall provide an access gate through the Premises for emergency vehicles.
27. Assignment and Encumbrances: Tenant may not voluntarily sell, assign, transfer or encumber (each, a "**Transfer**"), its interest in this Lease or in the Premises, or allow any other person or entity (except Tenant's authorized representatives) to occupy or use all or any part of the Premises, without first obtaining Lessor's written consent, which may not be unreasonably withheld. Notwithstanding the foregoing sentence, Lessor has the right to require financial and other information from a proposed assignee, purchaser, transferee or other encumbering party (each, a "**Transferee**"), to make its decision, and Tenant shall assist Lessor in obtaining such information from any proposed Transferee. Any Transfer without Lessor's prior written consent is voidable and, at Lessor's election, constitutes a Default. Any consent to a Transfer does not constitute a further waiver of the provisions of this Section.

If Tenant is a corporation or a limited liability company, any (i) dissolution, merger, consolidation, or other reorganization of Tenant, or (ii) sale or other transfer of a controlling percentage of the capital stock or membership interests, as the case may be, of Tenant, or (iii) sale of fifty percent (50%) of the value of the assets of Tenant, will be deemed a voluntary assignment. The phrase "controlling percentage" means (a) in the case of a corporation, the ownership of, and the right to vote, stock possessing more than fifty percent (50%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding, and entitled to vote for the election of directors and (b) in the case of a limited liability company, ownership of, and the right to vote, membership interests possessing more than fifty percent (50%) of the total combined voting interests of Tenant.

If Tenant is in default of monetary obligations to Lessor pursuant to this Lease, Tenant immediately and irrevocably assigns to Lessor, as security for Tenant's monetary obligations under this Lease, all rent from any subletting or renting of all or part of the Premises as permitted by this Lease. A receiver for Tenant appointed on Lessor's application, may collect such rent and apply it toward Tenant's obligations under this Lease.

If Lessor consents to any Transfer or if Tenant makes any Permitted Transfer pursuant to this Section 27, Tenant shall be relieved of all responsibility for any obligation, payment or performance falling due or arising after the effective date of such Transfer or Permitted Transfer. Furthermore, on and after the effective date of such Transfer or Permitted

Transfer, Tenant shall be released of all obligations under this Lease and Landlord shall look solely to the Transferee or Permitted Transferee.

28. Surrender of Possession:

- A. Improvements: Title to all Improvements, including all alterations or additions (including Unauthorized Additions) thereto, will remain in Tenant until the expiration, cancellation, or other earlier termination of this Lease. Upon expiration, cancellation or other earlier termination of this Lease, except as otherwise provided herein, title to all Improvements will automatically vest in Lessor and will remain on and will be surrendered with the Premises.

If Lessor does not desire title to any portion of the Site Improvements, Lessor shall notify Tenant in writing as soon as practicable which of the Site Improvements are to be removed by Tenant (the “**Excluded Improvements**”). Tenant shall remove the Excluded Improvements above ground level, within one hundred twenty (120) days following the effective date of such notice.

If Tenant fails to remove the Excluded Improvements, Lessor may remove them at Tenant’s expense, and, upon written demand by Lessor, Tenant shall immediately reimburse Lessor, in full, for all of the costs and expenses incurred by Lessor in removing the Excluded Improvements.

Within thirty (30) days after expiration, cancellation, or termination of this Lease, Tenant shall surrender to Lessor the Premises and all improvements, including alterations and additions, in good condition (ordinary wear and tear and destruction to the Premises covered by Section 31. Destruction, excepted). If Tenant is required to remove Excluded Improvements, Tenant shall surrender that portion of the Premises where the Excluded Improvements are located within one hundred twenty (120) days after the expiration, cancellation, or termination of this Lease in good condition (ordinary wear and tear and destruction to such Premises covered by Section 31. Destruction, excepted). If Tenant fails to surrender the Premises to Lessor on expiration, cancellation, or termination of this Lease, Tenant shall defend, indemnify, and hold Lessor harmless from any and all claims, liability, costs, and damages resulting from Tenant’s failure to surrender the Premises, including, without limitation, claims made by a succeeding tenant or renter.

- B. Personal Property: Title to personal property belonging to Tenant will remain in Tenant at all times during the Term of this Lease, and Tenant has the right at any time to remove any or all of its personal property from the Premises, provided that upon any such removal, Tenant shall repair, at Tenant’s expense, any damage resulting therefrom and leave the Premises in a clean and neat condition.
- C. If Tenant fails to remove any personal property from the Premises within thirty (30) days after the expiration, cancellation, or termination of this Lease, such personal property may be removed by Lessor at Tenant’s expense, by charging

such expense to the Security Deposit, as provided in Section 8, Additional Payment Provisions. If Lessor's cost to remove personal property from the Premises exceeds the amount of the Security Deposit, then Tenant shall reimburse Lessor the difference between Lessor's cost and the amount of the Security Deposit, immediately upon receipt of Lessor's written demand therefor.

D. Effectiveness: The provisions of this Section will survive the expiration, cancellation or earlier termination of this Lease.

29. Default: The occurrence of any of the following is a "**Default**" by Tenant:

A. Tenant's failure to pay any Rent or other charges when due, if the failure continues for thirty (30) days after such payment is due. Notwithstanding the foregoing, failure to pay any Rent or other charges when due twice in any twelve (12) month period is a Default without further notice from Lessor.

B. Tenant's failure to undertake such reasonable maintenance of the Premises as directed by the Director of Airports, if the failure continues for thirty (30) days after notice of any reasonably required maintenance has been given to Tenant.

C. Tenant's failure to cure a safety hazard immediately upon notice from Lessor to do so. If, in the sole discretion of the Director of Airports, the required cure of the noticed safety hazard cannot be completed within twenty-four (24) hours, Tenant is not in Default of this Lease if Tenant commences to cure the failure within the twenty-four (24) hour period and diligently and in good faith continues to cure the Default as soon as reasonably possible.

D. Tenant's failure to provide any instrument or assurance or estoppel certificate required by this lease if the failure continues for five (5) business days after written notice of the failure from Lessor to Tenant.

E. Tenant's failure to perform any other obligation under this Lease if the failure continues for thirty (30) days after written notice of the failure from Lessor to Tenant. If, in the sole discretion of the Director of Airports, the required cure of the noticed default cannot be completed within thirty (30) days, Tenant is not in Default of this Lease if Tenant commences to cure the Default within the thirty (30) day period and diligently and in good faith continues to cure the Default to completion.

F. The committing of waste on the Premises, including any intentional act by Tenant to harm the Premises.

G. Tenant's failure to comply with any of the provisions of Section 35, Non-Discrimination.

H. To the extent permitted by law:

i. A general assignment is given by Tenant or any guarantor of the Lease for

the benefit of creditors.

- ii. The filing by or against Tenant or any guarantor, of any proceeding under an insolvency or bankruptcy law, unless (in the case of an involuntary proceeding) the proceeding is dismissed within sixty (60) days of its filing.
- iii. The appointment of a trustee or receiver to take possession of all or substantially all of the assets of Tenant or any guarantor, unless possession is unconditionally restored to Tenant or that guarantor within thirty (30) days and the trusteeship or receivership is dissolved.
- iv. Any execution or other judicially authorized seizure of all or substantially all of the assets of Tenant located on the Premises, or of Tenant's interest in this lease, unless that seizure is discharged within thirty (30) days.

When this Lease requires service of notice, that notice shall replace rather than supplement any equivalent or similar statutory notice, including any notices required by Code of Civil Procedure section 1151 or any similar or successor statute. When a statute requires service of a notice in a particular manner, service of that notice (or similar notice required by this Lease) in the manner required by Section 40, Notices, will replace and satisfy the statutory service-of-notice procedures, including those required by Code of Civil Procedure section 1162 or any similar or successor statute.

30. Lessor's Remedies: Lessor has the following remedies upon the occurrence of a Default. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law:

- A. Lessor may terminate this Lease and Tenant's right to possession of the Premises at any time. No act by Lessor other than giving written notice to Tenant shall terminate this Lease. Lessor's acts of maintenance, efforts to re-let the Premises, or the appointment of a receiver on Lessor's initiative to protect Lessor's interest under this Lease do not constitute a termination of Tenant's right to possession. Upon termination of this Lease, Lessor has the right to recover from Tenant:
 - i. The worth, at the time of the award, of the unpaid Rent and fees that had been earned at the time of the termination of this Lease;
 - ii. The worth, at the time of the award, of the amount by which the unpaid Rent and fees that would have been earned after the date of termination of this Lease until the time of award exceeds the amount of the loss of Rent and fees that Tenant proves could have been reasonably avoided;
 - iii. The worth, at the time of the award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of Rent and fees that Tenant proves could have been reasonably avoided; and

- iv. Any other amount, and court costs, necessary to compensate Lessor for all detriment proximately caused by Tenant's Default.

"The worth, at the time of the award," as used in (i) and (ii) of this Section, is to be computed by allowing interest at the rate of ten percent (10%) per annum or the maximum rate permitted by law, whichever is less. "The worth, at the time of the award," as used in (iii) of this Section, is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%).

- B. Lessor, at any time after the occurrence of a Default described in Section 29.B, can cure the Default at Tenant's cost, provided Tenant has failed to cure such Default within the thirty (30) day notice period described in Section 29.B.
- C. Lessor, at any time after the occurrence of a Default described in Section 29.C, can cure the Default at Tenant's cost, provided Tenant has failed to cure such Default within the twenty-four (24) hour notice period described in Section 29.C or fails to diligently and in good faith continues to cure the Default as soon as reasonably possible.
- D. If Lessor at any time, by reason of Tenant's Default, pays any sum to cure a Default or does any act that requires the payment of any sum, the sum paid by Lessor will be due from Tenant to Lessor within thirty (30) days from the time the sum is paid, following written notice by Lessor to Tenant of the amount due. If such amount is not paid within thirty (30) days of the notice, the amount due will bear interest at the rate of ten percent (10%) per annum or the maximum rate permitted by law, whichever is less, from the date the sum is paid by Lessor until Lessor is completely reimbursed by Tenant. The amount due from Tenant, together with interest accrued thereon, is Additional Rent.

31. Destruction: Tenant shall notify Lessor in writing of any damage to the Premises resulting from fire, earthquake or any other event of a sudden, unexpected or unusual nature.

- A. Twenty-Five Percent or Less: In the event of damage to or destruction of any Improvement valued at twenty-five percent (25%) or less of the then-replacement value of the Improvement, Tenant shall repair or replace the Improvement and no rent abatement will apply.
- B. Greater than Twenty-Five Percent: In the event of damage to or destruction of any Improvement valued in excess of twenty-five percent (25%) of the then-replacement value of the Improvement, Tenant has the option to either terminate this Lease or to repair or replace the Improvement so it is in substantially the same condition as it was in immediately before such damage or destruction. Tenant shall give written notice of its election to Lessor within thirty (30) days after the date of the loss or destruction of the Improvement. If Tenant elects to terminate this Lease, this Lease shall terminate as of the date of Tenant's notice to

Lessor. If Tenant elects to rebuild, Tenant is entitled to a proportionate reduction of Ground Rent (i) while repairs are being made, or (ii) for three months, whichever is less, unless Tenant is compensated by insurance for rent due Lessor, in which case rent abatement will not apply to the extent of Tenant's reimbursement from its insurer for lost rent. The proportionate reduction in rent will be calculated by multiplying the monthly rent by a fraction, the numerator of which is the number of square feet that are unusable by the Tenant and the denominator of which is the total square feet in the Premises.

Tenant will have one hundred eighty (180) days to commence repair or restoration of the Improvements, and shall diligently pursue the completion of the repair or restoration.

32. Condemnation:

- A. If the whole or any part of the Premises is taken as a result of the exercise of the power of eminent domain or is conveyed to any entity having such power under threat of exercise thereof (both such actions being hereinafter referred to as "**Condemnation**"), this Lease will automatically terminate as to the portion taken as of the date physical possession is taken by the condemnor. The value of any damages to the remainder of the Premises sustained by Tenant and Lessor as a result of a Condemnation action will be determined by a court of law or by negotiation and agreement with the condemnor.
- B. If the remaining part of the Premises is not reasonably suitable for the use described in Section 10, Use of Premises, as reasonably determined by Tenant, this Lease may be terminated by either Lessor or Tenant through written notice to the other party within thirty (30) days of the condemning agency's adoption of a resolution of necessity (or such agency's equivalent determination), to condemn the whole or any portion of the Premises. If a Condemnation takes (i) twenty-five percent (25%) or more of the Premises, or (ii) the portion of the Premises providing Tenant access to the Site Improvements, Tenant may terminate this Lease by providing Lessor written notice within thirty (30) days of the condemning agency's adoption of a resolution of necessity (or such agency's equivalent determination), to condemn such portion of the Premises. If the remaining part of the Premises is reasonably suitable for the operation of the business described in Section 10, as reasonably determined by Tenant, this Lease will continue in full force and effect as to such remaining part. If this Lease is not terminated as of the date of such Condemnation, Ground Rent will be reduced to an amount equal to the product of (i) the then-current Ground Rent multiplied by (ii) a fraction, the numerator of which is the number of square feet of the Premises remaining after such Condemnation, and the denominator of which is the number of square feet of the Premises prior to such Condemnation.

In the event that all or any part of the Premises is taken by Condemnation or conveyed in lieu thereof, both parties have the right to pursue a condemnation award against the condemning agency. To the extent allowed by law, Tenant is

entitled to any award for lost business, the residual value of its leasehold interest, moving expenses, and the depreciated value of any fixtures or property improvements installed and not removed by Tenant. Lessor is entitled to all other amounts awarded, including but not limited to, all amounts awarded for land value. No claim made by or payment to Tenant will diminish or otherwise adversely affect Lessor's award. Provided the Lessor is not the condemning agency, Tenant will not have, and may not make, any claim against Lessor for any loss, damage or other matter arising out of any Condemnation.

33. Cancellation by Lessor: If, at any time five (5) years or more after the Effective Date of this Lease, Lessor requires the Premises for purposes other than a corporate hangar and auxiliary aviation business, Lessor may terminate this Lease with not less than twelve months' prior written notice (the "**Material Change Termination Option**"). The written notice provided by Lessor will specify the date on which the Lease will terminate (the "**Termination Date**"). The Termination Date may not be sooner than the tenth anniversary of the Effective Date.

If Lessor exercises its Material Change Termination Option, Lessor shall pay Tenant an amount equal to (i) the value of Tenant's remaining interest in the Premises based on the fair market value of the remaining term of the Lease and any other relevant factors, and (ii) the then-existing fair market value of the Site Improvements (the "**Termination Value**"). Payment of the Termination Value is due within ten (10) days of the earlier to occur of (i) the Termination Date and (ii) Tenant's satisfaction of the return conditions set forth in Section 15.

Tenant has no right to recover the value of its Improvements in the event the Lease is terminated as a result of Tenant's Default or for any reason other than as specified in this Section.

34. Financing of Leasehold Estate:

A. Tenant's Right to Encumber. Subject to the conditions set forth below, Tenant may, at any time, encumber, at its discretion, all or any portion of its interest in the Lease, the leasehold estate, and the Site Improvements by mortgage (a "**Leasehold Mortgage**"). Tenant may each have only one Leasehold Mortgage outstanding at any time. Any Leasehold Mortgage will be subject and subordinate to all rights and interests of Lessor and will be a lien only on Tenant's interests in and to this Lease and the leasehold estate, and will not be a lien on Lessor's fee interest in the Premises or reversionary interest in the Site Improvements. Any Leasehold Mortgage is subject to the terms and provisions of this Lease and the holder of the Leasehold Mortgage (the "**Mortgagee**"), or anyone claiming by, through, or under the Mortgagee, will not, by virtue of the Leasehold Mortgage, acquire any greater rights hereunder than Tenant has under this Lease. Tenant shall deliver to Lessor copies of all documents recorded to evidence any and all Leasehold Mortgages and all notices of default received by Tenant from a Mortgagee. Tenant shall also cause the Mortgagee to deliver copies of default notices to Lessor, simultaneously upon mailing to Tenant.

- B. Tenant's Obligations. Tenant covenants and agrees to pay the indebtedness secured by a Leasehold Mortgage when the same becomes due and payable and to perform, when such performance is required, all obligations of the mortgagor thereunder. Tenant further agrees not to suffer or permit any default to occur and continue under a Leasehold Mortgage.
- C. Rights of Mortgagee. A Mortgagee may enforce its rights under its Leasehold Mortgage and acquire title to the Tenant's leasehold estate in any lawful way. Subject to this Lease, including without limitation, the "Use of Premises" and "Rent" provisions hereof, and all other terms, provisions and conditions of this Lease, upon foreclosure of such Leasehold Mortgage and the Director of Airports' receipt of a copy of the final judgment confirming the sale, the successor in interest may take possession of that portion of the leasehold estate subject to the Leasehold Mortgage. During such time as the Mortgagee or any successor in interest is the owner and holder of the leasehold estate and Tenant's interest hereunder, whether by foreclosure or otherwise, such interests are subject to all of the terms, conditions and provisions of this Lease.
- D. Lessor shall provide Mortgagee with a copy of any notice of default served upon Tenant by Lessor, provided that Lessor has been notified in writing of the name and address of such Mortgagee. Lessor agrees that if Tenant fails to cure such default within the time provided for in this Lease, then the Mortgagee may have an additional thirty (30) days to cure such default, or if such default cannot be cured within that time, then Mortgagee may have an additional sixty (60) days to cure such default, if within such thirty (30) days, the Mortgagee has commenced and is diligently pursuing the remedies necessary to cure such default.
- E. Notice of Compliance. Upon written request by Tenant, Lessor shall execute, acknowledge, and deliver to Tenant or to any Mortgagee, a written statement stating (i) whether the Lease is unmodified and is in full force and effect, and if modified, whether the modified Lease is in full force and effect, and stating the nature of the modification, (ii) whether Lessor is aware of any Default by Tenant in the performance or observance of any term or condition of this Lease, (iii) whether any notice has been given to Tenant of any Default that has not been cured (and, if so, specifying the nature of the Default) and (iv) any other information reasonably requested of Lessor.

35. Non-Discrimination:

- A. Tenant hereby covenants and agrees that in the event facilities are constructed, maintained, or otherwise operated on the Premises for a purpose for which a United States Department of Transportation ("**DOT**") program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations, Part 21, Non-discrimination in Federally Assisted Programs of the

Department of Transportation, (“**49 CFR Part 21**”), and as such regulations may be amended.

- B. Tenant hereby covenants and agrees: (i) that no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to, discrimination in the use of the Premises on the grounds of race, color, sex, or national origin; (ii) that in the construction of any improvements on, over, or under the Premises and the furnishing of services thereon, no person shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination on the grounds of race, color, sex, or national origin; and (iii) that Tenant shall use the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, as such regulations may be amended.
- C. In the event of a breach of any of the above non-discrimination covenants, Lessor shall have the right to terminate this Lease and to re-enter and repossess the Premises and the facilities thereon. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including the expiration of any appeal rights.
- D. Tenant shall furnish its accommodations and 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 that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- E. Noncompliance with subsection D. above constitutes a material breach thereof and, in the event of such noncompliance, Lessor has the right to terminate this Lease without liability therefore or, at the election of Lessor or the United States, either Lessor or the United States government, or both have the right to judicially enforce the provisions of subsection D.
- F. Tenant agrees that it shall insert the above subsections A through E in any rental agreement by which Tenant grants a right or privilege to any person, firm, or corporation to render accommodations or services, or both to the public on the Premises.
- G. If required by state, federal or local law, Tenant assures that it will undertake an Affirmative Action program (as such term is defined by 14 CFR Part 152, Sub-part E (“**Sub-part E**”)), as required by Sub-part E to ensure that no person is excluded from participating in any employment activities covered by Sub-part E on the grounds of race, creed, color, national origin, or sex. Tenant assures Lessor that no person will be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by Sub-part E. Tenant assures Lessor that it will require that its covered suborganizations provide assurances to Tenant that they similarly will undertake Affirmative Action programs, and that they will require assurances from their suborganizations, as required by Sub-part E, to undertake the same effort.

36. Operation of Airport by Lessor:

- A. Aviation Hazards: Lessor shall take any action it considers necessary to protect the aerial approaches of the Airport against obstructions, including preventing Tenant from constructing, or permitting the construction of, any building or other structure on the Premises that, in the opinion of Lessor or the Federal Aviation Administration, would limit the usefulness of the Airport or constitute a hazard to aircraft.
- B. Navigational Aids: Lessor reserves the right during the Term of this Lease, during any renewal and/or extension or holdover period thereof to install air navigational aids including lighting, in, on, over, under, and across the Premises. In the exercise of any of the rights hereof, Lessor shall give Tenant no less than ninety (90) days written notice of its intention to install such air navigational aids. Following installation, Lessor is responsible for the maintenance and operation of such

37. Airport Use and Development:

- A. Lessor 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 Tenant and without interference or hindrance.
- B. Lessor reserves the right, but is not obligated to Tenant, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities at the Airport, together with the right to direct and control all activities of Tenant in this regard.
- C. This Lease is subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States, including but not limited to the Federal Aviation Administration, relative to the development, operation, and maintenance of the Airport.
- D. There is hereby reserved to Lessor, 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. This public right of flight includes the right to cause in said airspace all noise inherent in the operation of any aircraft used for navigation or flight through said airspace, and all noise inherent in landing at, taking off from, and operations at the Airport.

38. Development of Premises:

- A. Tenant shall comply with the notification and review requirements covered by 14 CFR Part 77 of the Federal Aviation Regulations in connection with any construction, modification or alteration of any present or future building or structure situated on the Premises.

- B. Tenant may not cause or permit the construction of any structure or object, or the growth of any tree on the Premises, to exceed the established height contours. In the event the aforesaid covenants are breached, Lessor reserves the right to enter upon the Premises and to remove the offending structure or object and cut the offending tree, all of which shall be at Tenant's sole cost and expense.
 - C. Tenant may not use or develop the Premises in any manner that might interfere with or otherwise constitute a hazard to the landing and taking off of aircraft from the Airport or otherwise constitute a hazard (an "**Interference Hazard**"). Upon learning of any Interference Hazard, Lessor may enter upon the Premises and cause the abatement of such Interference Hazard at the sole cost and expense of Tenant.
 - D. Nothing herein 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 U.S.C. § 40103) or to consent to future construction, modification or alteration.
 - E. This Lease and all of its provisions are 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 the Airport by the United States during a time of war or national emergency.
39. Instrument of Transfer: This Lease shall be subordinate and subject to the provisions and requirements of the Instrument of Transfer by and between the United States and County dated the 9th day of October 1947, and recorded in Book 1137 at page 114 of Official Records of Contra Costa County, California.
40. Choice of Law: This Lease is governed by the laws of the State of California.
41. Notices: Any and all notices to be given under this Lease, or otherwise, may be served by enclosing same in a sealed envelope addressed to the party intended to receive the same, at its address set forth herein, and deposited in the United States Post Office as certified mail with postage prepaid. When so given, such notice will be effective from the third date of its mailing. Notices may also be given via a reputable overnight courier service, effective on the next business day following delivery of the notice to the courier service for next day business delivery. Unless otherwise provided in writing by the parties hereto, the address of Lessor, and the proper party to receive any such notices on its behalf, is:

Director of Airports
Contra Costa County Airports
550 Sally Ride Drive
Concord, CA 94520-5550

and the address of Tenant is:

Conco Aviation Center, LLC
5141 Commercial Circle
Concord, CA 94520
(925) 685-6799

42. Time is of the Essence: Time is of the essence for each provision of this Lease.
43. Binding on Successors: The terms of this Lease inure to the benefit of and bind the heirs, successors, executors, administrators and assigns of the parties hereto, subject to the limitations on assignment of this Lease.
44. Invalid Provisions; Severability: It is expressly understood and agreed by and between the parties hereto that in the event any covenant, condition or provision contained herein is held to be invalid by a court of competent jurisdiction, such invalidity does not invalidate any other covenant, condition or provision of this Lease, provided, however, that the invalidity of any such covenant, condition or provision does not materially prejudice either Lessor or Tenant in their respective rights and obligations contained in the valid covenants, conditions and provisions of this Lease.
45. Entire Agreement: This Lease and all exhibits (which are incorporated herein and made a part of this Lease by this reference) referred to in this Lease constitute the entire agreement between the parties relating to the rights herein granted and the obligations herein assumed, and supersedes all prior or contemporaneous understandings or agreements of the parties. No alterations or variations of this Lease are valid unless they are in writing and signed by Lessor and Tenant.
46. Cumulative Rights and Remedies: The rights and remedies with respect to any of the terms and conditions of this Lease are cumulative and not exclusive and are in addition to all other rights and remedies at law or in equity. Each right or remedy shall be construed to give it the fullest effect allowed in law.
47. No Third-Party Beneficiaries: Nothing in this Agreement, express or implied, is intended to confer on any person, other than Lessor and Tenant and their respective successors-in-interest, any rights or remedies under or by reason of this Lease.
48. No Continuing Waiver: The waiver by Lessor of any breach of any of the terms or conditions of this Lease does not constitute a continuing waiver or a waiver of any subsequent breach of the same or of any other terms or conditions of this Lease. The receipt by Lessor of any Rent with knowledge of the breach of any term or condition of this Lease may not be deemed to be a waiver by Lessor, unless such waiver is specifically expressed in writing by the Director of Airports. No payment by Tenant or receipt by Lessor of a lesser amount than specified in this Lease may be deemed to be other than a payment on account of such Rent and may not be deemed to be a waiver of notice of termination and of forfeiture of this Lease.

49. Covenant Against Liens; Recordation Against Premises: Neither Tenant nor Lessor shall permit any mechanic's, materialman's, or other lien against the Premises, or the property of which the Premises forms a part, in connection with any labor, materials, or services furnished or claimed to have been furnished. If any such lien is filed against the Premises, or property of which the Premises forms a part, the party charged with causing the lien will cause the same to be discharged; provided however, that either party may contest any such lien, so long as the enforcement thereof is stayed.
50. Drafting Conventions: The section headings and captions of this Lease are, and the arrangement of this Lease is, for the sole convenience of the parties to this Lease. The section headings, captions, and arrangement of this Lease do not in any way affect, limit, amplify or modify the terms and provisions of this Lease.

The Lease is not to be construed as if it had been prepared by one of the parties, but rather as if both parties have prepared it. The parties to this Lease and their counsel have read and reviewed this Lease and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party does not apply to the interpretation of this Lease. The definitions in this Lease apply equally to both singular and plural forms of the terms defined.

If any date specified in this Lease as a date for taking action falls on a day that is not a business day, then that action must be taken on the next business day.

Tenant hereby represents and warrants that it is a corporation duly organized and validly existing under the laws of the State of California.

[Remainder of Page Intentionally Left Blank]

51. Lease Authorization: This Lease is made and entered into by Lessor in exercise of authority as recognized in Section 25536 of the Government Code of the State of California.

The parties are signing this Lease as of the date set forth in the introductory clause.


LESSOR

CONTRA COSTA COUNTY, a political
Subdivision of the State of California.

By _____
Keith Freitas
Director of Airports

TENANT

Conco Aviation Center, LLC

By  _____
Name: Steve Goncalves
Title:

RECOMMENDED FOR APPROVAL:

By _____
Karen A. Laws
Principal Real Property Agent

By _____
Name:
Title:

By _____
Beth Lee
Assistant Director of Airports

APPROVED AS TO FORM:

By Sharon L. Anderson, County Counsel

By _____
Kathleen M. Andrus,
Deputy County Counsel

Exhibit "A"

A portion of Rancho Monte Del Diablo, situated in the County of Contra Costa, State of California, described as follows:

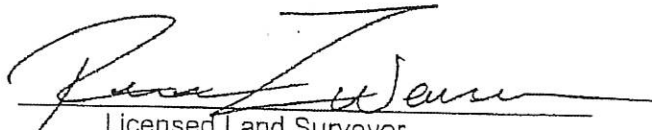
Commencing at Point BF-4 as said point is described in the Deed of Trust and Assignment of Rents recorded August 13, 1964, in Book 4681 of Official Records at page 700, said point being on the centerline of said taxiway "E"; thence north 24° 28' 35" east 539.00 feet; thence leaving said centerline north 65° 31' 25" west, 75.00 feet to the Point of Beginning; thence from said Point of Beginning north 65° 31' 25" west 292.40 feet; thence south 24° 28' 35" west 97.00 feet; thence north 65° 31' 25" west 45.00 feet; thence south 24° 28' 35" west 18.54 feet; thence south 88° 47' 38" west 81.79 feet to the easterly right of way line of Sally Ride Drive (formerly Terminal Road); thence along said right of way line north 1° 12' 22" west 392.00 feet; thence leaving said right of way line north 61° 00' 00" east 256.01 feet; thence south 65° 31' 25" east 428.63 feet to a point on a line parallel with and 75.00 feet southwesterly of the centerline of said taxiway "E"; thence along said parallel line south 24° 28' 35" west 408.02 feet to the Point of Beginning.

Containing an area of 5.31 acres (231,215 square feet) of land, more or less.

Bearings and distances used in the above description are based on the California Coordinate System, Zone III. To obtain ground distances, multiply given distances by 1.0000614.

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyors Act.

Signature:



Licensed Land Surveyor
Contra Costa County Public Works

Date:

12/14/04

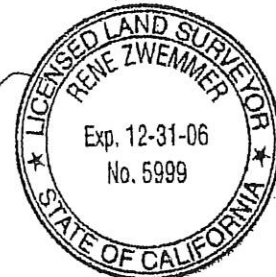
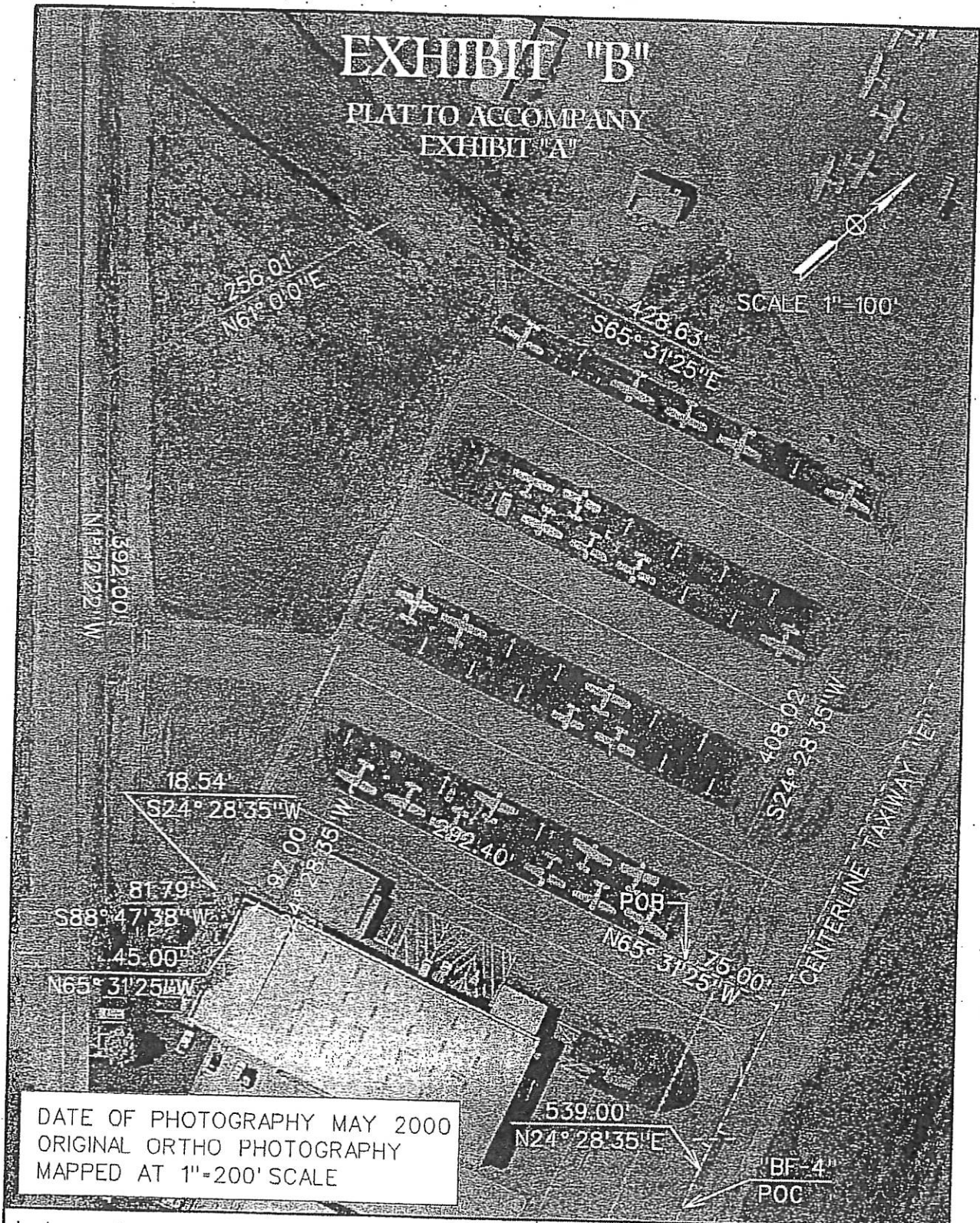


EXHIBIT "B"

PLAT TO ACCOMPANY
EXHIBIT "A"



DATE OF PHOTOGRAPHY MAY 2000
ORIGINAL ORTHO PHOTOGRAPHY
MAPPED AT 1"=200' SCALE

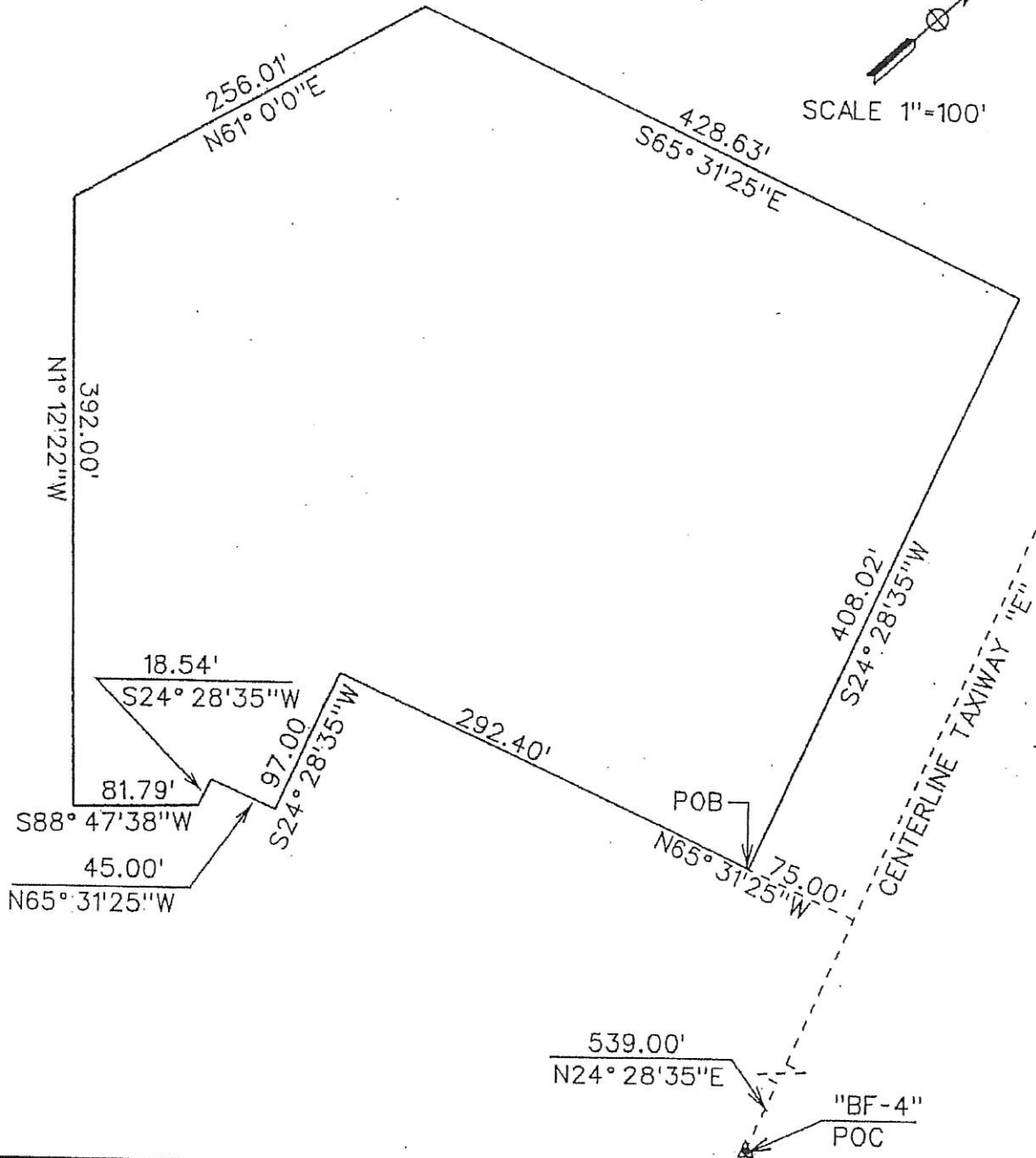
Instrument :	Scale: 1:100	Date: OCT. 2004
Series No.	Recorded	Drawn By: PP
		Checked By: RZ
		Cad File: RW534004.dgn

EXHIBIT "B"

PLAT TO ACCOMPANY
EXHIBIT "A"



SCALE 1"=100'



Instrument :	Scale: 1:100	Date: OCT, 2004
Series No.	Recorded	Drawn By: PP
		Checked By: RZ
		Cad File: RW534004.dgn