

TO: James L. App, City Manager

FROM: Meg Williamson, Assistant City Manager

SUBJECT: Modifications to Lease – Propeller Investment Property (PIP), LLC and New Ground Lease with Applied Technology Associates (ATA)

DATE: December 2, 2014

Needs: For the City Council to authorize modification to a lease agreement with Propeller Investment Properties (PIP) LLC and new Ground Lease with Applied Technology Associates (ATA) to enable a business transaction of lease transfer and building purchase at the Municipal Airport.

Facts:

1. The City and PIP entered into a lease for certain property at the Municipal Airport (described in detail in the attached lease and map exhibits). This lease area has been developed with two industrial buildings and their requisite parking.
2. The buildings had been previously utilized by Specialty Silicone Fabricators for their manufacturing operations before they constructed and moved into their new facility on Rollie Gates Drive.
3. PIP now wishes to sell a portion of their lease holdings and one of their buildings (3034 Propeller Drive) to Applied Technology Associate (ATA).
4. To facilitate the lease and building transfer, on November 18, 2014 the City Council approved Lot Line Adjustment PRAL 14-0038. The new lot lines now coincide with the desired boundaries of the lease sites and provide for parking commensurate with the intended uses of the adjacent buildings.
5. The lease with PIP is being amended to exclude the portion being assumed by ATA. The “Assignment and Assumption and First Amendment to and Partial Termination of Municipal Airport Lease” and “Memorandum of Lease” have been prepared by the City Attorney and are attached.
6. The lease with ATA is a new ground lease which will create the business relationship between ATA and the City for the portion being excluded by PIP. The new “Nonsubordinated Airport Ground Lease” and “Memorandum of Lease” have been prepared by the City Attorney and attached.
7. Except for the adjustment to the monthly rent, which will be proportionally distributed between PIP and ATA based on lease area square footage, there are no substantive changes to the PIP lease. The ATA lease mirrors the PIP lease.
8. Both leases contain a provision to abide with a Reciprocal Easement and Maintenance Agreement (REA) that will provide for shared use of access and utilities between the buildings and the improved parking areas.

Analysis &

Conclusion: The proposed lease modification will enable the sale of an existing vacant industrial building and leasehold from PIP to ATA. The acquisition of the building will enable ATA to expand their manufacturing capabilities on the airport. The parties have negotiated their own business transaction and the City is accommodating the lease transfer to support their business needs

Policy

Reference: Economic Strategy. Airport Master Plan.

Fiscal

Impact: No fiscal impacts are identified. The City will continue to receive rental income for these lease holdings.

Options:

A. For the City Council to adopt the attached Resolutions:

- 1) Resolution 14-XXX authorizing the City Manager to enter into an Assignment and Assumption and First Amendment to and Partial Termination of a Municipal Airport Lease with Propeller Investment Properties, LLC and Applied Technology Associates, and to record the associated Memorandum of Lease; and
- 2) Resolution 14-XXX authorizing the City Manager to enter into a Nonsubordinated Airport Ground Lease with Applied Technology Associates, and to record the associated Memorandum of Lease.

B. Amend, modify, or reject the above option.

Attachments:

1. Resolution 14-XXX – Assignment and Assumption First Amendment Lease for PIP
2. Resolution 14-XXX – Subordinated Ground Lease for ATA
3. Site Plan Exhibit of Lease Area

RESOLUTION NO. 14-xxx

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING AN ASSIGNMENT AND ASSUMPTION AND FIRST AMENDMENT TO AND
PARTIAL TERMINATION OF MUNICIPAL AIRPORT PROPERTY LEASE BETWEEN CITY
AND PROPELLER INVESTMENT PROPERTIES AND APPLIED TECHNOLOGIES
(3020 & 3034 Propeller Drive)

WHEREAS, City (as Landlord) and Propeller Investment Properties, LLC (as Tenant) ("PIP") entered into that certain Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease, dated October 22, 2009 (the "PIP Lease") whereby PIP has leased from Landlord that certain property referred to as Parcels 3, 4 and 5 of Parcel Map No. PRAL 88-207 (Assessor's Parcel Nos. 025-452-003, -004 and -005) and commonly known as 3034 Propeller Drive and 3020 Propeller Drive), together with certain other property (all, collectively, the "Original Premises"); and

WHEREAS, the referenced Parcels 3 and 5 are improved with existing buildings, and Parcel 4 is improved with surface parking for the users and guests of said existing buildings; and

WHEREAS, PIP submitted an application to City, and City has approved a lot line adjustment and lot merger (LLA No. 14-0038) to shift the existing lot line separating Parcels 3 and 4 so that the parking currently existing on Parcel 4 is divided, and a portion of said parking is merged with Parcel 3 to create a new Parcel 1 (as shown on Parcel Map No. PRAL 14-0038) (referred to hereinafter as the "Applied Premises"), and the remainder of the parking area on Parcel 4 is designated as new Parcel 2 (as shown on Parcel Map No. PRAL 14-0038) to serve as parking for Parcel 5 (said parking for Parcel 5 and Parcel 5 are collectively referred to herein as the "PIP Premises"); and

WHEREAS, Applied Technologies, Inc. ("Applied") is in the process of purchasing all of PIP's rights and interest in the PIP Lease as to the Applied Premises; and

WHEREAS, to implement such sale and purchase, PIP, Applied and City desire to amend the PIP Lease to provide for the assignment by PIP and assumption by Applied of all of PIP's rights, title and interest under the PIP Lease as to the Applied Premises, to provide that PIP be relieved of all obligations, commitments and responsibilities under the PIP Lease as to the Applied Premises, and to make other conforming changes related thereto; and

WHEREAS, in furtherance of such assignment and assumption, Applied desires to enter into a separate Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease (the "Applied Lease") relating to the Applied Premises, and thus provide for the concurrent partial termination of the PIP Lease as it relates to the Applied Premises; and

WHEREAS, as a condition to such new Applied Lease and the partial termination of the PIP Lease as to the Applied Premises, PIP and Applied must execute and record a reciprocal easement and maintenance or similar instrument ("REA") against the Applied Premises and the PIP Premises providing for certain reciprocal access easements for vehicular and pedestrian ingress and egress and utilities across the parking areas located on the PIP Premises and the Applied Premises, and other

related provisions, including without limitation the sharing of the costs of maintenance and repairs to such parking areas;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

Section 1. The City Council hereby approves the Assignment and Assumption and First Amendment to and Partial Termination of Municipal Airport Property Lease (the "Assignment/Amendment"), in substantially the form attached hereto as Exhibit A and incorporated herein by reference, and hereby authorizes the City Manager to execute said Assignment/Amendment on behalf of the City, subject to any minor technical or clarifying changes approved by the City Attorney, and any documents necessary to effectuate the assignment and assumption, amendment and partial termination provided for in the Assignment/Amendment. The City Council further authorizes and directs the execution and recordation of a Memorandum of the Assignment/Amendment, in form and content acceptable to the City Attorney, and such other actions as may be necessary to carry out the obligations of the City under the Assignment/Amendment.

Section 2. The City Council hereby further authorizes the City Manager to execute and record against the PIP Premises and the Applied Premises an REA, as provided for in Section 5 of the Assignment/Amendment, which REA shall be in form and content acceptable to the City Attorney.

PASSED AND ADOPTED this 2nd day of December, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk

Exhibit A

Assignment and Assumption and first Amendment to and Partial Termination of
Municipal Airport Property Lease Between City, Propeller Investment Properties
and Applied Technologies

(3020 and 3034 Propeller Drive)

**ASSIGNMENT AND ASSUMPTION AND FIRST AMENDMENT TO
AND PARTIAL TERMINATION OF MUNICIPAL AIRPORT PROPERTY LEASE
BETWEEN CITY OF EL PASO DE ROBLES,
PROPELLER INVESTMENT PROPERTIES, LLC and
APPLIED TECHNOLOGIES, INC.**

THIS ASSIGNMENT AND ASSUMPTION AND FIRST AMENDMENT TO AND PARTIAL TERMINATION OF MUNICIPAL AIRPORT PROPERTY LEASE (this "Amendment") is made and entered into as of _____, 2014, by and between the **City of El Paso de Robles**, a municipal corporation of the State of California, ("Landlord"), **Propeller Investment Properties, LLC**, A California limited liability company ("PIP" or "Assignor"), and **Applied Technology Associates, Inc.**, a California corporation ("Applied" or "Assignee"), who agree as follows:

RECITALS

A. Landlord and PIP (as Tenant) entered into a Municipal Airport Property Lease (also referred to as a Nonsubordinated Airport Ground Lease), dated October 22, 2009, a Memorandum of which was recorded in the Official Records of San Luis Obispo County on _____, 2009, as Instrument No. _____ (the "PIP Lease") whereby PIP has leased from Landlord that certain property referred to as Parcels 3, 4 and 5 of Parcel Map No. PRAL 88-207 (Assessor's Parcel Nos. 025-452-003, -004 and -005) and commonly known as 3034 Propeller Drive and 3020 Propeller Drive), and Parcels 4, 5 and 6 of Parcel Map No. PRAL 96-025 (Assessor's Parcel Nos. 025-454-004, -005 and -006) located in the City of Paso Robles, County of San Luis Obispo, California, as more particularly described in Exhibit "A", attached hereto and incorporated herein by reference (the "Original Premises"). Except for the adjustment to the Monthly Rent, as set forth in Section 4, below, to account for the reduced area of the Original Premises as provided for herein, this Amendment applies only to that portion of the Original Premises referred to as Parcels 3, 4 and 5 of Parcel Map No. PRAL 88-207 (referred to hereinafter as "Parcel 3," "Parcel 4" and "Parcel 5," respectively.

B. Parcels 3 and 5 are improved with existing buildings, and Parcel 4 is improved with surface parking for the users and guests of said existing buildings. PIP submitted an application to City, and City (through its Community Development Department) has approved a lot line adjustment and lot merger (LLA No. 14-0038) to shift the existing lot line separating Parcels 3 and 4 so that the parking currently existing on Parcel 4 is divided, and a portion of said parking is merged with Parcel 3 to create a new Parcel 1 (as shown on Parcel Map No. PRAL 14-0038) (referred to hereinafter as the "Applied Premises"), and the remainder of the parking area on Parcel 4 is designated as new Parcel 2 (as shown on Parcel Map No. PRAL 14-0038) to serve as parking for Parcel 5 (said parking for Parcel 5 and Parcel 5 are collectively referred to herein as the "PIP Premises"). The Applied Premises is shown and described in Exhibit "B", attached hereto and incorporated herein by reference. The PIP Premises is shown and described in Exhibit "C", attached hereto and incorporated herein by reference.

C. For valuable consideration, Assignee has purchased and acquired all of Assignor's rights and interest in the PIP Lease as to the Applied Premises.

D. The parties desire to enter into this Amendment to provide for the assignment by PIP/Assignor and assumption by Assignee of all of Assignor's rights, title and interest under the PIP Lease as to the Applied Premises, and to provide that PIP/Assignor be relieved of all obligations, commitments and responsibilities under the PIP Lease as to the Applied Premises and make other conforming changes related thereto.

AGREEMENTS

1. Lease Assignment and Assumption. Assignor hereby assigns to Assignee all of Assignor's rights, title, duties and obligations under the PIP Lease as it relates to the Applied Premises, and Assignee hereby accepts and unconditionally assumes all of Assignor's rights, title, duties and obligations under the PIP Lease as it relates to the Applied Premises. The parties hereby agree that PIP/Assignor is hereby released from any and all obligations and responsibilities under the PIP Lease as it relates to the Applied Premises and, subject to Section 2, below, Applied/Assignee shall be recognized as the Tenant under the terms of the PIP Lease as it relates to the Applied Premises, and shall be solely responsible for full compliance with all terms and conditions of the PIP Lease as it relates to the Applied Premises. By its execution of this Amendment, Landlord consents to the assignment and assumption provided for in this Section 1.

2. New Applied Lease; Partial Termination of PIP Lease. In implementation of the assignment and assumption provided for in Section 1, above, concurrently with execution of this Amendment, Assignee shall execute a separate Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease (the "Applied Lease") relating to the Applied Premises. The Applied Lease shall be in the same format and contain substantially the same provisions and term as the existing PIP Lease, as such provisions apply to the Applied Premises. Following execution of this Amendment and the Applied Lease, and provided the Applied Lease is in full force and effect, the PIP Lease shall be deemed to be terminated as to the Applied Premises, and thereafter all rights, title, duties and obligations relating to the Applied Premises shall be governed by, and shall be as set forth in the Applied Lease; provided, however, the PIP Lease, as amended by this Amendment, shall thereafter continue to remain in full force and effect as to the PIP Premises and the remainder of the Original Premises not affected by this Amendment (i.e., Parcels 4, 5 and 6 of Parcel Map No. PRAL 96-025 (Assessor's Parcel Nos. 025-454-004, -005 and -006)).

3. Revised Legal Description of the Premises. As of the effective date of this Amendment, and provided the new Applied Lease has been executed and is in full force and effect, the Legal Description of the Premises attached to the PIP Lease as Exhibit A thereto shall be replaced in its entirety with the Legal Description of the Premises (Revised 2014), attached hereto as Exhibit "D" and incorporated herein by reference, which Legal Description includes the PIP Premises and the remainder of the Original Premises not affected by this Amendment (i.e., Parcels 4, 5 and 6 of Parcel Map No. PRAL 96-025 (Assessor's Parcel Nos. 025-454-004, -005 and -006) (hereinafter collectively referred to as the "Remaining PIP Leased Premises").

4. Rent. As of the effective date of this Amendment, the Base Rent payable under Section 4.1 of the PIP Lease shall be [REDACTED] Dollars (\$ [REDACTED]) for the Remaining PIP Leased Premises. The Parties acknowledge that said amount does not constitute

a modification in the amount of Base Rent payable under the PIP Lease, but is merely a proportional adjustment to the Base Rent to take into account the elimination of the Applied Premises from the provisions of the PIP Lease, it being understood that the Base Rent for the Applied Premises shall be governed by the provisions of the Applied Lease. All other provisions relating to the payment of Rent under the PIP Lease, including without limitation the cost-of-living increases provided for under Section 4.3 of the PIP Lease, shall remain unchanged and in full force and effect.

5. REA. Prior to or concurrently with the execution of this Amendment and the Applied Lease, the Parties shall prepare, execute and record a Reciprocal Easement and Maintenance Agreement or similar instrument (the “REA”) against the Applied Premises and the PIP Premises properties. The REA shall be in a form mutually agreeable to PIP and Applied, and acceptable to the City Attorney, and shall provide reciprocal access easements for vehicular and pedestrian ingress and egress and utilities across the parking areas located on the PIP Premises and the Applied Premises. Applied will be responsible for improving the parking areas on both the PIP Premises and the Applied Premises, including repaving and restriping of the parking spaces, including handicapped parking spaces, as shown on the Lot Line Adjustment PRAL 14-038, or as otherwise approved by the City. The REA shall provide for the maintenance and repairs to the parking areas, and the costs for such maintenance and repairs (collectively, the “Maintenance Costs”) shall be divided on a pro-rata basis, with thirty-eight and 6/10 percent (38.6%) of the Maintenance Costs to be allocated to and paid by PIP, and the remaining sixty-one and 4/10 percent (61.4%) of the Maintenance Costs to be allocated to and paid by Applied.

6. Notices. All notices, demands and communications between the Parties shall be provided in the manner set forth in Section 21.25 of the PIP Lease. Notices to Assignee/Applied shall be addressed as follows:

Applied Technology Associates, Inc.

Attn: _____

7. No Further Amendment. Except as set forth in this Amendment, all of the provisions of the PIP Lease as amended by this Amendment, shall remain unchanged and in full force and effect.

8. Memorandum of Amendment. This Amendment shall not be recorded, but the Parties agree to execute and deliver a Memorandum of this Amendment in recordable form to be recorded in the Official Records of San Luis Obispo County.

[SIGNATURES TO APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed effective the date first mentioned above.

LANDLORD:

CITY OF EL PASO DE ROBLES

By: _____
James L App, City Manager

APPROVED AS TO FORM:

By: _____
Iris P. Yang, City Attorney

ATTEST:

By: _____
Dennis Fansler, City Clerk

ASSIGNOR / PIP:

PROPELLER INVESTMENT PROPERTIES, LLC,
A California limited liability company

By: _____
_____, Manager

ASSIGNEE / APPLIED:

APPLIED TECHNOLOGY ASSOCIATES, INC.,
A California corporation

By: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE ORIGINAL LEASED PREMISES

That certain real property located in the City of El Paso de Robles, County of San Luis Obispo, California, more particularly described as:

A leasehold estate described as follows:

Parcels 3, 4 and 5 of Parcel Map No. PRAL 88-207 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded June 4, 1991, in Book 48, Page 23 of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-003, 025-452-004, 025-452-005

Parcels 4, 5 and 6 of Parcel Map No. PRAL 96-025 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded September 11, 1996, in Book 52, Page 16 of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-454-004, 025-454-005, 025-454-006

EXHIBIT B

LEGAL DESCRIPTION OF THE APPLIED PREMISES

That certain real property located in the City of El Paso de Robles, County of San Luis Obispo, California, more particularly described as follows:

A leasehold estate described as follows:

Parcel 1 of Parcel Map No. PRAL 14-038 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded _____ 2014, in Book _____, Page _____ of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-003

EXHIBIT C

LEGAL DESCRIPTION OF THE PIP PREMISES

Parcel 2 of Parcel Map No. PRAL 14-038 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded _____ 2014, in Book _____, Page _____ of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-004

Parcel 5 of Parcel Map No. PRAL 88-207 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded June 4, 1991, in Book 48, Page 23 of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-005

EXHIBIT D

LEGAL DESCRIPTION OF THE PREMISES (REVISED 2014)

[Replaces Exhibit A of the PIP Lease]

[Reflects the Legal Description of the Remaining PIP Leased Premises]

That certain real property located in the City of El Paso de Robles, County of San Luis Obispo, State of California, more particularly described as follows:

A leasehold estate described as follows:

Parcel 2 of Parcel Map No. PRAL 14-038 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded _____ 2014, in Book _____, Page _____ of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-004

Parcel 5 of Parcel Map No. PRAL 88-207 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded June 4, 1991, in Book 48, Page 23 of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-005

Parcels 4, 5 and 6 of Parcel Map No. PRAL 96-025 in the City of El Paso de Robles, County of San Luis Obispo, State of California, according to map recorded September 11, 1996, in Book 52, Page 16 of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-454-004, 025-454-005, 025-454-006

RESOLUTION NO. 14-xxx

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING A MUNICIPAL AIRPORT PROPERTY LEASE BETWEEN CITY AND
APPLIED TECHNOLOGIES, INC.
(3034 Propeller Drive)

WHEREAS, City (as Landlord) and Propeller Investment Properties, LLC (as Tenant) ("PIP") entered into that certain Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease, dated October 22, 2009 (the "PIP Lease") whereby PIP has leased from Landlord that certain property referred to as Parcels 3, 4 and 5 of Parcel Map No. PRAL 88-207 (Assessor's Parcel Nos. 025-452-003, -004 and -005) and commonly known as 3034 Propeller Drive and 3020 Propeller Drive), together with certain other property (all, collectively, the "Original Premises"); and

WHEREAS, the referenced Parcels 3 and 5 are improved with existing buildings, and Parcel 4 is improved with surface parking for the users and guests of said existing buildings; and

WHEREAS, PIP submitted an application to City, and City has approved a lot line adjustment and lot merger (LLA No. 14-0038) to shift the existing lot line separating Parcels 3 and 4 so that the parking currently existing on Parcel 4 is divided, and a portion of said parking is merged with Parcel 3 to create a new Parcel 1 (as shown on Parcel Map No. PRAL 14-0038) (referred to hereinafter as the "Applied Premises"), and the remainder of the parking area on Parcel 4 is designated as new Parcel 2 (as shown on Parcel Map No. PRAL 14-0038) to serve as parking for Parcel 5 (said parking for Parcel 5 and Parcel 5 are collectively referred to herein as the "PIP Premises"); and

WHEREAS, Applied Technologies, Inc. ("Applied") is in the process of purchasing all of PIP's rights and interest in the PIP Lease as to the Applied Premises; and

WHEREAS, to implement such sale and purchase, PIP, Applied and City desire to amend the PIP Lease to provide for the assignment by PIP and assumption by Applied of all of PIP's rights, title and interest under the PIP Lease as to the Applied Premises, and to provide that PIP be relieved of all obligations, commitments and responsibilities under the PIP Lease as to the Applied Premises, and to make other conforming changes related thereto; and

WHEREAS, in furtherance of such assignment and assumption, Applied desires to enter into a separate Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease (the "Applied Lease") relating to the Applied Premises, and thus provide for the concurrent partial termination of the PIP Lease as it relates to the Applied Premises; and

WHEREAS, as a condition to such new Applied Lease and the partial termination of the PIP Lease as to the Applied Premises, PIP and Applied must execute and record a reciprocal easement and maintenance or similar instrument ("REA") against the Applied Premises and the PIP Premises providing for certain reciprocal access easements for vehicular and pedestrian ingress and egress and utilities across the parking areas located on the PIP Premises and the Applied Premises, and other related provisions, including without limitation the sharing of the costs of maintenance and repairs to such parking areas;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

Section 1. The City Council hereby approves the Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease between the City and Applied (the "Applied Lease"), in substantially the form attached hereto as Exhibit A and incorporated herein by reference, and hereby authorizes the City Manager to execute said Assignment/Amendment on behalf of the City, subject to any minor technical or clarifying changes approved by the City Attorney, and any documents necessary to effectuate the Applied Lease. The City Council further authorizes and directs the execution and recordation of a Memorandum of the Applied Lease, in form and content acceptable to the City Attorney, and such other actions as may be necessary to carry out the obligations of the City under the Applied Lease.

PASSED AND ADOPTED this 2nd day of December, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Steven W. Martin, Mayor

ATTEST:

Caryn Jackson, Deputy City Clerk

Exhibit A

Municipal Airport Property Lease Between City
and Applied Technologies

(3034 Propeller Drive)

CITY OF PASO ROBLES



MUNICIPAL AIRPORT PROPERTY LEASE

NONSUBORDINATED AIRPORT GROUND LEASE

This Lease ("**Lease**") is made as of _____, 2014, between THE CITY OF EL PASO DE ROBLES ("**Landlord**") and APPLIED TECHNOLOGY ASSOCIATES, INC., a California corporation ("**Tenant**").

RECITALS

A. Landlord, as "Lessor," previously leased to Propeller Investment Properties, LLC, a California limited liability company ("**PIP**") the Leased Premises, as defined herein, together with other adjacent property, pursuant to a Municipal Airport Property Lease/Nonsubordinated Airport Ground Lease dated October 22, 2009 (the "**Original PIP Lease**"). Applied Technology Associates has purchased or is in the process of purchasing all of PIP's rights, title, real property improvements and interest in the Leased Premises.

B. In connection with that transaction, Landlord and PIP have agreed to an assignment and assumption and partial termination of the Original Lease as to the Leased Premises pursuant to an Assignment and Assumption and First Amendment to and Partial Termination of Municipal Airport Property Lease (the "**Assignment/Termination**"), dated _____, 2014, and approved by the City Council on _____, 2014, by Resolution No. _____.

C. In implementation of the Assignment/Termination, Landlord and Tenant are entering into this Lease whereby Landlord will lease the Leased Premises to Tenant and Tenant will lease the Leased Premises from Landlord pursuant to the same terms and conditions as are set forth in the Original PIP Lease.

NOW, THEREFORE, Landlord leases to Tenant, and Tenant hereby leases from Landlord, the Leased Premises pursuant to the terms and conditions set forth below.

1. PREMISES

1.1. Leased Premises. Landlord leases to Tenant and Tenant leases from Landlord Parcel 1 of Parcel Map No. PRAL 14-038 (Assessor Parcel No. 025-452-003, commonly known as 3034 Propeller Drive), located in the City of Paso Robles, County of San Luis Obispo, California, as more particularly described in **Exhibit "A"**, which is attached hereto and made a part hereof. The premises leased to Tenant are referred to in this Lease as the "**Leased Premises**" or the "**Premises**."

1.2. Airport. The Leased Premises are a part of the municipal Airport owned and operated by landlord and known as the Paso Robles Municipal Airport (the "**Airport**"). The Leased Premises shall include the nonexclusive right to use of the common areas of the Airport as set forth in Paragraph 1.3 below.

1.3. Common Use Facilities. In conjunction with Tenant's use of the Premises and for the purposes hereinbefore set forth in this Lease, Tenant is hereby granted the nonexclusive right

during the term of this Lease to enter upon or make customary and reasonable use of such areas of the Airport as Landlord may from time to time designate as "common areas." Tenant's rights hereunder shall be in common with Landlord and with other persons authorized by Landlord from time to time to use such areas.

1.4. Acceptance of the Premises. Tenant hereby accepts the Premises in the condition existing as of the date hereof. Tenant hereby agrees that the Premises are in a good and tenantable condition and acknowledges that it has inspected the Premises and common areas of the Airport to its satisfaction and acknowledges that Landlord is not obligated to make any repairs or alterations to the Premises or common areas.

1.5. Reservations to Landlord. Tenant further accepts the Premises subject to any and all existing easements and encumbrances, including without limitation the **Reciprocal Easement and Maintenance Agreement ("REA") recorded against the Leased Premises concurrently with the execution and recordation of the Memorandum of Lease.** Landlord reserves the right without obligation to install, lay, construct, maintain and repair utilities and appurtenances necessary or convenient in connection therewith in, over, upon, through, across, under and along the Premises or any part thereof, and to enter the Premises for any and all such purposes. Landlord also reserves the right to grant franchises, easements, rights of-way and permits in, over, upon, through, across, under and along any and all portions of the Premises. No right reserved by Landlord in this clause shall be so exercised as to interfere unreasonably with Tenant's operations hereunder, and the rights granted to third parties by reason of this clause shall contain provisions that the surface of the land shall be restored as nearly as practicable to its condition prior to the construction upon completion of any construction.

2. TERM

2.1. Term. The lease term shall commence on [REDACTED], 2014 ("**Commencement Date**"), and expire on October 16, 2049 ("**Expiration Date**").

2.2. Possession. The Leased Premises is currently vacant, and possession of the Leased Premises shall be delivered to Tenant free of any possession or right of possession by any person except that of the Tenant and the easements of record.

3. CONDUCT OF BUSINESS BY TENANT

3.1. Use of the Premises and Conduct of Tenant's Business.

3.1.1. Tenant hereby acknowledges that the principal use of the Airport consists of the operation of a public airport and that all other operations and businesses which are now or hereafter permitted by Landlord, including the use hereunder, must be at all times be compatible with such principal use, as Landlord shall, in its sole discretion, determine.

3.1.2. Tenant shall, continuously and uninterruptedly during the term of this Lease, conduct its business activity, as permitted herein, upon the Premises unless prevented from so doing by strikes, fire, casualty or other causes beyond Tenant's control, except during reasonable periods for repairing, cleaning and decorating the Premises. Tenant shall use the Leased Premises for research and development of equipment for drilling and logging oil and gas wells.

3.1.3. Tenant shall, at Tenant's own cost and expense, obtain and maintain all licenses, permits, certificates or other authorizations of any governmental authority having jurisdiction thereover, including, but not limited to, the FAA, which may be necessary for the conduct in the Premises of its business. Without limiting the generality of the foregoing, Tenant shall comply with all applicable laws, resolutions, codes, rules, orders, directions, ordinances and regulations of any department, bureau or agency or any governmental authority having jurisdiction over the operations, occupancy, maintenance and use of the Premises for the purpose demised hereunder, except for those requiring major Alterations to the Premises as distinguished from those relating to furniture, fixtures or equipment of Tenant therein. Tenant shall indemnify and save Landlord harmless from and against any claims, penalties, losses, damages or expenses imposed by reason of Tenant's violation of any applicable law or the rules and regulations of governmental authorities having jurisdiction thereof.

3.1.4. Notwithstanding any other remedies of Landlord hereunder, in the event of a breach of this Section 3, Tenant, upon receipt of written notice from Landlord of said breach, shall cure said specified breach within five (5) business days. If cure is not performed within five (5) business days, Landlord, at its option, may terminate this Lease upon thirty (30) days' written notice. However, if Tenant has undertaken steps to cure within five (5) business days, then Landlord shall not terminate this Lease unless Tenant fails to diligently complete said cure. In such event, Landlord may terminate this Lease upon thirty (30) days written notice. Notwithstanding the foregoing, if at any time Tenant's breach has a material adverse effect on the operations of the Airport or creates an emergency situation that, in City's reasonable estimation, presents a risk to public health or safety, Tenant shall immediately commence to cure such breach.

3.2. Restrictions on Use.

3.2.1. Tenant shall not use or permit the use of the Premises for any purpose other than that set forth in Section 3.1 above, and Tenant shall comply promptly with all applicable laws, rules and regulations regarding the use of the Premises, including, but not limited to all rules and regulations promulgated by the FAA.

3.2.2. Tenant shall not use or permit the use of the Premises in any manner that will (A) tend to create or permit any waste or nuisance, (B) tend to disturb other tenants or users of the Airport, (C) invalidate or cause cancellation or be in conflict with fire or other hazard insurance policies covering the Airport, or (D) increase the rate of fire insurance for the Airport or of property located therein, over that rate in effect on the Commencement Date hereof. Tenant, at its expense, shall comply with all rules, orders, regulations or requirements of the State and City Fire Code.

3.3. Airport Use. In connection with the ownership and use of the Airport by Landlord, Tenant hereby agrees as follows:

3.3.1. Landlord reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or views of Tenant, and without interference or

hindrance. If the foregoing development or improvement shall have a material adverse effect on Tenant's use of the Premises, the parties hereto shall meet and confer prior to the commencement of such development or improvement.

3.3.2. Landlord reserves the right, but shall not be obligated to Tenant, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Tenant in this regard.

3.3.3. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Landlord and the United States relative to the development, operation or maintenance of the Airport.

3.3.4. In the event any future structure or building is planned for the Premises or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises, Tenant shall comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations.

3.3.5. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of any exclusive right within the meaning of Section 308(a) of the Federal Aviation Act of 1958 (49 U.S.C. Section 1349).

3.3.6. There is hereby reserved to Landlord, 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 shall include the right to cause within the said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operating on the Airport.

3.3.7. Tenant, by accepting this Lease, expressly agrees for itself, its successors and assigns that it will not permit any natural growth or other obstruction on the land leased hereunder above a height as determined by the application of the requirements of Part 77 of the Federal Aviation Regulations. Tenant shall also not erect or permit the erection of any structure or building on the land leased hereunder above a height of thirty-five (35) feet, as required by the City Fire Code. In the event the aforesaid covenants are breached, Landlord reserves the right to remove the offending structure or object, all of which shall be at the expense of Tenant.

3.3.8. Tenant shall not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Airport, or which might otherwise constitute a hazard. In the event the aforesaid covenant is breached, Landlord reserves the right to enter upon the Premises and cause the abatement of such interference, at the expense of Tenant.

3.3.9. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has, or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport, or the exclusive or nonexclusive use of the Airport, by the United States during the time of war or national emergency or otherwise.

3.3.10. Tenant shall conform to Airport and FAA safety and security rules and regulations regarding use of the Airport operations area including runways, taxiways, aircraft aprons by vehicles, employees, customers, visitors, etc. in order to prevent security breaches and

avoid aircraft incursions and vehicle/pedestrian deviations; will complete and pass an airfield safe driving instruction program when offered or required by the Airport, and will be subject to penalties as prescribed by the Airport for violations of the Airport safety and security requirements.

3.4. Airport Security. Tenant is responsible for maintaining security in and around the Premises or any other area adjacent to or upon the Airport which Tenant has an exclusive right to use or which Tenant otherwise controls.

3.5. Hazardous Materials.

3.5.1. Restrictions. Landlord acknowledges receipt and consents to Tenant's list of the current hazardous materials or toxic substances, as more particularly described on **Exhibit "B"**, which are necessary or useful to Tenant's business and which are used, kept and stored in a manner that complies with all laws relating to such hazardous materials or toxic substances so brought upon or used or kept in or about the Premises or the Airport. Notwithstanding the foregoing, Tenant shall not cause or permit any hazardous materials or toxic substances which are not included on the foregoing approved list to be brought upon, kept or used in or about the Premises or the Airport by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord. Landlord's consent shall be obtained in connection with Section 3.5.6 below, which shall not be unreasonably withheld so long as Tenant demonstrates to Landlord's reasonable satisfaction and covenants to Landlord that such hazardous materials or toxic substances are necessary or useful to Tenant's business and will be used, kept and stored in a manner that complies with all laws relating to any such hazardous materials or toxic substances so brought upon or used or kept in or about the Premises or the Airport. If Tenant breaches the obligations stated in the preceding sentence, or if the presence of hazardous materials or toxic substances on the Premises or the Airport caused or permitted by Tenant results in contamination of the Premises or the Airport, or if contamination of the Premises or the Airport by hazardous materials or toxic substances otherwise occurs for which Tenant is legally liable to Landlord for damage resulting therefrom, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Premises or the Airport, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Airport, damages arising from any adverse impact on marketing of space in the Airport, and sums paid in settlement of claims, actual attorneys' fees, consultant fees and expert fees), which arise during or after the term of the Lease as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions, including regular inspections, or any clean up, remedial, removal or restoration work required or recommended by any federal, state or local governmental agency or political subdivision because of hazardous materials or toxic substances present in the soil or ground water on or under the Premises and/or the Airport. The indemnity, defense and hold harmless obligations of Tenant hereunder shall survive any termination of this Lease. Without limiting the foregoing, if the presence of any hazardous materials or toxic substances on the Premises or the Airport caused or permitted by Tenant results in any contamination of the Premises or the Airport, Tenant shall promptly take all actions at its sole expense as are necessary to return the Premises and the Airport to the condition existing prior to the introduction of any such hazardous materials or toxic substances; provided that, Landlord's

approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions, in Landlord's sole and absolute discretion, would not potentially have any material adverse long-term or short-term effect on the Premises or the Airport.

3.5.2. Testing Wells. Landlord shall have the right, at any time, to cause testing wells to be installed on or about the Premises and/or the Airport, in a manner that will not unreasonably interfere with the Tenant's use of the Leased Premises, and may, at its option, cause the ground water, soil and air to be tested to detect the presence of hazardous materials or toxic substances at least once every twelve (12) months during the term of the Lease by the use of such tests as are then customarily used for such purposes. Landlord shall provide Tenant with thirty (30) days prior written notice if it determines such testing wells are to be installed in order to minimize disruption to Tenant's business operations. If Tenant so requests, Landlord shall supply Tenant with copies of such test results. Landlord shall bear the cost of such tests and of the maintenance, repair and replacement of such wells, unless such test indicates that the presence of hazardous materials or toxic substances are the result of Tenant's operations on the Premises. In that event, the cost of such tests and of the maintenance, repair and replacement of such wells shall be fully paid for by Tenant within ten (10) days after receiving a statement of charges from Landlord.

3.5.3. Access. Landlord and Landlord's agents shall have the right to inspect the Premises for the purposes of ascertaining Tenant's compliance with this Lease with notice at least five (5) days in advance of any inspection. The cost of such inspections shall be paid by Landlord, unless such inspection reveals the presence of hazardous materials or toxic substances are the result of Tenant's operations on the Premises. In the event of a spill or mishandling of hazardous materials or toxic substances, Tenant shall immediately inform Landlord verbally and in writing. Such notice shall identify the hazardous materials or toxic substances involved and the emergency procedures taken.

3.5.4. Assignment and Subletting. It shall not be unreasonable for Landlord to withhold its consent to any proposed assignment or sublease if: (A) the proposed assignee's or subtenant's anticipated use of the Premises or the Airport involves the generation, storage, use, treatment or disposal of hazardous materials or toxic substances; (B) the proposed assignee or subtenant has been required by any prior landlord, lender or governmental authority to take remedial action in connection with hazardous materials or toxic substances contaminating a property if the contamination resulted from such assignee's or subtenant's actions or use of the property in question; or (C) the proposed assignee or subtenant is subject to an enforcement order issued by any governmental authority in connection with the use, disposal or storage of any hazardous materials or toxic substances.

3.5.5. Definitions. As used herein, the terms "hazardous materials and/or toxic substances" mean (A) any hazardous or toxic substance, material or waste which is or becomes regulated by any local, state or federal government or special district, (B) designated as a "hazardous substance" pursuant to Section 1311 of the Federal Water Pollution Control Act (33 USC Section 1317), (C) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 USC Section 6901, et seq. (42 USC Section 6903), (D) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive

Environmental Response, Compensation and Liability Act, 42 USC Section 9601, et seq. (42 USC Section 9601), (E) defined as a "hazardous waste" or as a "hazardous substance" pursuant to Section 25117 or 25316 of the California Health and Safety Code, or (F) any infectious wastes or substances. References herein to specific statutes or laws shall also be references to any amendments of or applicable successor statutes or laws.

3.5.6. Delivery of Inventory and Plans. During the term of the Lease, Tenant shall immediately deliver to Landlord (A) a new list of all such hazardous materials and toxic substances, each time Tenant adds or changes the materials or substances it uses and each time a material or substance used by Tenant becomes included within the definition of hazardous materials or toxic substances under this Lease (due to new or revised laws or otherwise), and (B) copies of all reports required by any and all regulatory agencies governing the use, handling, storage and disposal of hazardous materials or toxic substances.

3.5.7. Insurance. Any increase in the premium for insurance carried by Landlord or required of Tenant under this Lease on the Premises or the Airport which arises from Tenant's use and/or storage of these materials shall be solely at Tenant's expense. Tenant shall procure and maintain at its sole expense such additional insurance as may be necessary to comply with any requirement of any federal, state or local governmental agency or special district with jurisdiction.

3.5.8. Storage. It is the intent of the parties hereto that the provisions of this Section 3.5 regarding the use and handling of hazardous materials and toxic substances shall also apply to Tenant's storage upon the Premises of any substances, including, but not limited to, gasoline and diesel fuels, in above or below-ground storage tanks.

4. RENT

4.1. Monthly Rent. The monthly base rent ("**Base Rent**") for the Premises shall be _____ Dollars (\$) _____) for the Premises until the first Adjustment Date. Tenant shall pay Landlord the Base Rent on or before the first day of each calendar month during the term of this Lease, in advance.

4.2. Rent Commencement. Rent payments shall commence on the Commencement Date.

4.3. Cost-of-Living Increase. On July 1, 2015, and on July 1st of every year thereafter ("**Adjustment Date**") for the full term of this Lease, including any extensions, the Base Rent shall be increased, but not decreased, for the term of this Lease, by the same percentage increase in the Consumer Price Index for all Urban Consumers San Francisco-Oakland Metropolitan area, Bureau of Labor Statistics, United States Department of Labor, 1982 = 100 ("**Index**"), published immediately before the Adjustment Date increases over the Index which was published immediately before the Commencement Date or the preceding Adjustment Date (as the case may be) provided, however, that in no event shall the increase exceed eight percent (8%) of the Base Rent (or, after the first adjustment, the Adjusted Rent, as hereafter defined) payable for the year immediately prior to the Adjustment Date. The Base Rent as so adjusted shall be the Adjusted Rent. By way of example only, if the Index immediately prior to the Commencement Date were 200 and the Index as of the first Adjustment date were 216, the Adjusted Rent would be the

Cumulative Base Rent increased by eight percent (8%). If, however, the Index as of the first Adjustment Date were 400, the Adjusted Rent would be the Cumulative Base Rent increased by eight percent (8%). If the Index shall no longer be published, another Index generally recognized as authoritative for purposes of this paragraph shall be substituted.

4.4. Payments. All rent to be paid by Tenant to Landlord shall be in lawful money of the United States of America and shall be paid without deduction or offset, prior notice or demand, and at such place or places as may be designated from time to time by Landlord.

5. TAXES AND ASSESSMENTS

5.1. Taxes and Assessments. Tenant shall pay without abatement, deduction or offset all real and personal property taxes, general and special assessments, and other charges of every description levied on or assessed against the Leased Premises, improvements located on the Leased Premises, personal property located on or in the land or improvements, the leasehold estate, or any subleasehold estate, to the full extent of installments falling due during the term, whether belonging to or chargeable against Landlord or Tenant. Tenant shall make all such payments directly to the charging authority at least fifteen (15) days before delinquency and before any fine, interest or penalty shall become due or be imposed by operation of law for nonpayment. If, however, the law permits the payment of any or all of the above items in installments (whether or not interest accrues on the unpaid balance), Tenant may, at Tenant's election, utilize the permitted installment method, but shall pay each installment with any interest before delinquency. Tenant shall pay any charge or levy only upon the rent payable by the Tenant under this Lease to Landlord, and any tax in lieu of property tax, but shall not be required to pay any franchise, state inheritance, succession, capital levy or transfer tax of the Landlord, or any income, excess profits or revenue tax, or any other tax, assessments or charge attributable to Landlord. In addition, Landlord shall be solely responsible for any income taxes assessed against Landlord arising out of its operation of the Airport or related to the rents received from Tenant.

If at any time during the term of this Lease any tax, however described, is levied or assessed against Landlord as a substitute, in whole or in part, for any real property taxes, or in addition to such real property taxes, Tenant shall pay before delinquency the substitute or additional tax or excise. Such substitutes include, but are not limited to, any possessory interest tax imposed on Tenant by California Revenue and Taxation Code Sections 103 and 107. Tenant hereby expressly acknowledges that Landlord has given Tenant notice that Tenant's possessory interest in the demised premises may be taxed.

5.2. Proof of Compliance. Tenant shall furnish to Landlord at least thirty (30) days before the date when any tax, assessment or charge would become delinquent, receipts or other appropriate evidence establishing their payment. Tenant may comply with this requirement by retaining a tax service to notify Landlord whether the taxes have been paid.

5.3. Proration. Taxes and assessments determined from the latest information available for the first and, if Tenant is not in default under this Lease, the last year of this Lease shall be prorated between the Landlord and Tenant on the basis of a tax fiscal year commencing July 1st and ending June 30th.

5.4. Payment by Landlord. In the event Tenant fails to pay such taxes or assessments, Landlord may, at its option, after giving fifteen (15) days' notice to Tenant, pay any such taxes or assessments together with all penalties and interest which may have been added thereto by reason of any such delinquency or failure to pay, and may likewise redeem the Leased Premises or any part thereof, or the buildings or improvements located thereon, from any tax sale or sales. Any such amounts so paid by Landlord shall become immediately due and payable as additional rent by Tenant to Landlord, together with interest thereon at the maximum lawful rate from the date of payment by Landlord until paid by Tenant. Any such payment shall not be deemed to be a waiver of any other rights of Landlord hereunder. Tenant may, in good faith, contest any such tax or assessment at its expense. However, Tenant shall defend itself and Landlord against the same and shall pay and satisfy any judgment including all penalties and interest that may be rendered thereon. Landlord may require Tenant to furnish Landlord a surety bond or other security reasonably satisfactory to Landlord in an amount equal to such contested tax or assessment, indemnifying Landlord against liability for such tax or assessment and holding the Leased Premises free from the effect of such tax or assessment. Landlord shall cooperate with Tenant in any such contest and shall execute any necessary legal documents incident thereto, but shall be held harmless by Tenant against all costs or expenses incident to such cooperation.

6. UTILITIES AND SERVICES

6.1. Utilities. During the term of this Lease, Tenant agrees to pay all charges and expenses in connection with utility services furnished to the Leased Premises and to protect Landlord and the Leased Premises from all such charges and expenses. If any utilities are not separately metered for the Leased Premises, Tenant will arrange for separate meters at Tenant's expense and Tenant shall contract directly with utility providers. If separate meters are not possible, Tenant shall reimburse Landlord for Tenant's pro rata share, as reasonably determined by Landlord, of all shared utilities within ten (10) days after billing by Landlord.

6.2. Tenant acknowledges that Landlord has no obligation to provide utilities except those already furnished as of the date of this Lease to the Premises or additional utilities. Landlord shall not be liable to Tenant under any circumstances for damages or loss to Tenant's property, injury to person or property, or consequential damages, however occurring, through, in connection with, or incidental to failure to furnish or interruption of any utilities or services.

6.3. Tenant shall comply with all rules and regulations which Landlord, any governmental agencies or authorities, or any utility company may establish for the use, proper functioning and protection of any such utility.

6.4. Special Net Lease. This Lease is what is commonly called a "Net, Net, Net Lease," it being understood that Landlord will receive the rent set forth in Section 4.1 free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to the rent required by Section 4.1, and to the other amounts payable by Tenant pursuant to this Lease, Tenant shall pay to the parties respectively entitled thereto all other impositions, operating charges, maintenance charges, construction costs and any other charges, costs and expenses which arise or may be contemplated under any provision of this Lease during the term hereof. All of such charges, costs and expenses shall constitute additional rent, and upon the failure of Tenant to pay any of

such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay rent. It is the intention of the parties hereto that this Lease shall not be terminable for any reason by Tenant, and that Tenant shall in no event be entitled to any abatement of or reduction in rent payable under this Lease, except as herein expressly provided. Any present or future law to the contrary shall not alter this agreement of the parties.

7. IMPROVEMENTS, REPAIRS AND MAINTENANCE

7.1. Tenant's Obligations to Improve, Maintain and Repair.

7.1.1. Tenant shall improve, or cause to be improved, the surface parking lot located on the Premises and the immediately adjacent parking area, as described in the REA referenced in Section 1.5, above. Improvements to the parking lot areas include repaving and restriping to create the number of parking spaces, including handicap parking spaces, as required by the City as a condition to approval of Lot Line Adjustment 14-0038, and as set forth in the REA. Following completion of said improvements, the parking lot areas covered by the REA shall be maintained and repaired, and the costs for such maintenance and repairs shall be paid, as set forth in the REA.

7.1.2. Notwithstanding Section 7.1.1, Tenant shall maintain, or cause to be maintained, the Premises and every part thereof in good order, condition and repair according to standards determined by Landlord (whether or not such part of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to Tenant, and whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements or the age of such part of the Premises), including, without limiting the generality of the foregoing, (A) all buildings, structures or fixtures, including foundations, roofs, ceilings, floors, interior and exterior walls, (B) store fronts, windows, doors, hangar doors, plate glass, showcases, skylights, entrances and vestibules located within the Premises, (C) automobile and aircraft pavement, driveways, landscaping, parking lots, fences and signs, and (D) all sprinkler systems, plumbing, sewers, drainage devices, heating, air conditioning, electrical facilities, equipment and other utilities or facilities serving the Premises. Tenant shall commence any repair within thirty (30) days after the receipt by Tenant of written notice of the need for such repair, including any notice from Landlord. Landlord shall not be liable to Tenant by reason of any injury to or interference with Tenant's business arising from or connected with the need for or the making of any repairs, alterations or improvements. All repairs, modifications or improvements to the Premises shall be performed in accordance with the building standards of the City of Paso Robles, and it shall be the responsibility of Tenant to secure appropriate permits from the City of Paso Robles. Tenant shall keep the exterior of the improvements on the Premises in a reasonably neat and attractive condition, free from waste or debris, and replace any trees, shrubs, plants, and ground cover as may be needed. Tenant shall screen and landscape all outside storage areas and service yards of the Premises with fencing and landscaping approved by Landlord, and shall not allow any temporary structures or facilities on the Premises, without Landlord's reasonable approval.

7.2. Landlord's Remedies. In the event Tenant fails to perform its obligations under Section 7.2, Landlord may, at its option, after fifteen (15) days' written notice to Tenant to cure such failure, enter upon the Premises and put the same in good order, condition and repair, and

the cost thereof shall become due and payable, upon demand, by Tenant to Landlord as additional rent.

7.3. No Landlord Obligations. Landlord shall have no obligation to make any repairs to the Premises other than as expressly and specifically set forth in this Lease. Tenant hereby waives any and all rights provided in Sections 1941 through 1942, inclusive, of the Civil Code of California and hereby waives, to the extent permissible, any rights other than statutes or laws now or hereafter in effect which are contrary to the obligations of Tenant under this Lease, or which place obligations upon Landlord in addition to those provided in this Lease.

7.4. Landlord's Reservations of Rights. During the term of this Lease, Landlord reserves the right, in its sole discretion, to reconstruct, alter or improve the aircraft pavement areas of the Premises, to such standards as it shall determine; provided, however, if such reconstruction, alteration or improvement to the aircraft pavement areas would result in a material adverse effect on Tenant's use of the Premises, the parties hereto shall meet and confer prior to the commencement of such reconstruction, alteration or improvement. Tenant hereby acknowledges that Landlord has no obligation to make such alterations or improvements.

7.5. Indemnity. Tenant shall indemnify and save harmless Landlord against all actions, claims and damages by reason of (A) Tenant's failure to perform the terms of this Section 7, or (B) Tenant's nonobservance or nonperformance of any law, ordinance or regulation applicable to the Leased Premises, and any liability or duty to repair imposed by the laws of California.

8. PLANS AND SPECIFICATIONS; CONSTRUCTION; LIENS AND CLAIMS

8.1. Approval of Plans. No improvement shall be erected, placed, altered or maintained on the Premises unless plans and specifications have been approved in writing by Landlord. Such approval by Landlord shall not be unreasonably withheld. Prior to commencing construction of any building, structure or improvement (not including the internal layout) on the Leased Premises, Tenant shall notify Landlord of the date of commencement and expected completion thereof and shall submit for approval plans and specifications in accordance with the City of El Paso de Robles Community Development Department Application Guide for Major Development, which can be found at:

<http://www.prcity.com/government/departments/commdev/planning/pdf/forms-applications/MajorGuide.pdf>:

8.2. Time for Approval. Tenant shall notify Landlord in writing when completed plans and specifications for improvements to be erected, placed or altered on the Premises have been submitted to Landlord ("**Notice**"). Such plans and specifications shall be processed in accordance with the normal procedures of the City of Paso Robles. Approval of the completed plans and specifications by Landlord shall not be unreasonably withheld. If Landlord does not approve the plans and specifications, it shall notify Tenant of the reasons for its disapproval, and failure to so notify Tenant shall be deemed approval of the plans and specifications. By approving the plans and specifications, Landlord does not represent or warrant that such plans and specifications comply with Applicable Laws. Tenant shall be responsible, at Tenant's sole cost and expense, for securing all necessary governmental or quasi-governmental approvals of

the plans and specifications and for securing all permits necessary to construct and operate any improvements or Approved Improvements.

8.3. Commencement of Construction. Once Tenant has commenced construction, Tenant shall pursue the same with reasonable speed and dispatch in compliance with the approved plans and specifications. All construction shall be in accord with all applicable laws, ordinances and regulations. Tenant's construction shall not interfere with Landlord's operation of the Airport, and Tenant shall comply with all directives of Landlord related thereto. If Tenant is prevented from completing improvements on account of strikes, lockouts, failure of contractor or subcontractors, inability to procure material or labor in the free market, governmental restrictions, fire, earthquake, the elements, or other casualty or similar extraordinary conditions beyond Tenant's reasonable control (excluding financial difficulties, economic conditions or inability to obtain governmental approvals), then the Tenant shall thereafter proceed with all reasonable speed and dispatch to complete the improvements.

8.4. Liabilities. By approving plans and specifications, Landlord assumes no liability therefor, or for any defect resulting from the plans and specifications. Tenant indemnifies and shall hold Landlord harmless from any damage, loss or prejudice claimed, and from all expenses incurred arising out of approvals of plans and specifications or any improvement on the Premises. Tenant hereby assigns to Landlord all warranties and guarantees of all material suppliers, contractors and subcontractors furnishing material or labor or otherwise relating to any improvements or Approved Improvements.

8.5. Approved Buildings and Improvements. All of the improvements shown in the approved plans and specifications constitute the "**Approved Improvements.**" Substantial modifications to Approved Improvements shall be made only with prior written approval of Landlord, except that Landlord's prior written approval shall not be required for changes to the interior of any building on the Premises. Notwithstanding the foregoing, nothing in this Section 8.5 shall limit or waive the building and permit requirements of the City of Paso Robles.

8.6. Notice of Work. Before commencement of any construction, alteration, addition, replacement or restoration of any building, structure or other improvement, Tenant shall (A) give to Landlord written notice of the work to be performed, specifying the nature and location of the intended work and the expected date of commencement and completion thereof; and (B) provide Landlord with written plans and specifications therefor, and shall have obtained the written approval thereof from the Landlord as required above. Landlord reserves the right at any time and from time to time to post and maintain on the Leased Premises such notices as may be necessary to protect Landlord against liability for all such liens and claims.

8.7. Covenant Against Liens and Claims. Tenant shall not allow or permit to be enforced against the Leased Premises or any part thereof, any mechanic's, materialmen's, contractor's or subcontractor's liens arising from any claim growing out of work of any construction, repair, restoration, replacement or improvement, or any other claim or demand no matter how the same may arise. Tenant shall pay or cause to be paid all of said liens, claims or demands before any lawsuit is brought to enforce them against the Leased Premises. Tenant agrees to indemnify and hold the Landlord and the Leased Premises free and harmless from all liability for any and all

such liens, claims and demands, together with reasonable attorneys' fees and all costs and expenses incurred by Landlord in connection therewith.

8.8. Tenant's Right to Contest Liens. Notwithstanding anything to the contrary set forth above, if Tenant shall in good faith contest the validity of any such lien, claim or demand, then Tenant shall, at its expense, defend itself and Landlord against the same and shall pay and satisfy any adverse judgment that may be rendered thereon before the enforcement thereof against Landlord or the Leased Premises. A condition to Tenant's right to contest the validity of any lien, claim or demand shall be that if Landlord shall require, Tenant shall furnish to Landlord evidence of a surety bond satisfactory to Landlord in an amount at least equal to the contested lien, claim or demand, the effect of which is to indemnify Landlord against liability for the same, and to hold the Leased Premises free from the effect of such lien or claim.

8.9. Landlord Paying Claims. In the event Tenant shall fail to pay and discharge or cause to be paid and discharged, when due and payable, any tax, assessment or other charge upon or in connection with the Leased Premises, or any lien or claim for labor or material employed or used or any claim for damages arising out of the construction, repair, restoration, replacement, maintenance and use of the Leased Premises and any improvements thereon, or any judgment on any contested lien or claim, or any insurance premium or expense in connection with the Leased Premises and improvements, or any other claim, charge or demand which Tenant has agreed to pay or cause to be paid under the terms of this Lease, and if Tenant, after fifteen (15) days' written notice from Landlord to do so shall fail to pay and discharge the same, or in the event Tenant contests such tax, assessment, claim or charge and fails to post security as provided elsewhere in this Lease, then Landlord may, at his option, pay any such tax, assessment, insurance expense, lien, claim, charge or demand, or settle or discharge any action therefor, or judgment thereon, and all costs, expenses and other sums incurred or paid by Landlord in connection with any of the foregoing shall be paid by Tenant to Landlord upon demand, together with interest thereon at Bank of America's prime rate from the date incurred or paid. Any default in such repayment by Tenant shall constitute a breach of the covenants and conditions of this Lease.

9. INSURANCE AND INDEMNITY

9.1. Landlord's Non-liability. Landlord shall not be liable for any loss, damage or injury of any kind to any person or property arising from any use of the Leased Premises, or any part thereof, or caused by any defect in any building, structure or other improvement thereon or in any equipment or other facility therein, or caused by or arising from any act or omission of Tenant or any of its agents, employees, licensees or invitees, or by or from any accident on the Leased Premises or any fire or other casualty thereon, or occasioned by the failure of Tenant to maintain the Leased Premises and all improvements thereto in a safe condition, or arising from any other cause except where caused by the sole negligence of Landlord, its agents or employees.

9.2. Indemnification of Landlord. To the fullest extent permitted by law, Tenant shall, at Tenant's sole expense and with counsel reasonably acceptable to Landlord, defend, indemnify, and hold harmless Landlord and Landlord's officers, officials, employees and agents from and against all claims, (including demands, losses, actions, causes of action, damages, liabilities,

expenses, charges, assessments, fines or penalties of any kind, and costs including consultant and expert fees, court costs and attorney's fees) from any cause, arising out of or relating (directly or indirectly) to this Lease, the tenancy created under this Lease, or the Premises, including without limitation:

9.2.1. The use or occupancy, or manner of use or occupancy, of the Premises or buildings by Tenant;

9.2.2. Any act, error or omission, or negligence of Tenant or of any subtenant, invitee, guest, contractor or licensee or Tenant or any subtenant in, on, or about the Premises;

9.2.3. Tenant's conducting of its business;

9.2.4. Any alterations, activities, work, or things done, omitted, permitted, allowed, or suffered by Tenant in, at, or about the Premises or buildings, including the violation of or failure to comply with any applicable laws, statutes, ordinances, standards, rules, regulations, orders, decrees, or judgments in existence on the Commencement Date or enacted, promulgated, or issued after the date of this Lease, and;

9.2.5. Any breach or default in performance of any obligation on Tenant's part to be performed under this Lease, whether before or during the term of this Lease or after its expiration or earliest termination.

9.2.6. This indemnification extends to and includes, without limitation, claims for:

9.2.6.1 Injury to any persons (including death at any time resulting from that injury);

9.2.6.2 Loss of, injury or damage to, or destruction of property (including loss of use at any time resulting from that loss, injury, damage, or destruction); and

9.2.6.3 All economic losses and consequential or resulting damage of any kind.

Tenant's indemnification obligation hereunder shall survive the expiration or earlier termination of this Lease until all claims against Landlord involving any of the indemnified matters are fully, finally, and absolutely barred by the applicable statutes of limitations.

9.3. Liability Insurance. Tenant shall procure and maintain at all times during the term of this Lease, at its sole cost and expense, a policy or policies of comprehensive public liability insurance by the terms of which Landlord and Tenant are named as insured and are indemnified against liability for damage or injury to property or person, including death, of any person entering upon or using the Leased Premises or any improvements thereon or any part thereof, with a combined single limit coverage in an amount of not less than Two Million Dollars (\$2,000,000.00) and annual aggregate coverage in an amount of not less than Five Million Dollars (\$5,000,000.00) applying to injury to or death of any one or more persons arising from the same occurrence and for damage or injury to property. If Landlord's reasonably exercised judgment determines that the liability insurance amounts set forth herein become inadequate,

then Landlord may, by written notice, require a reasonable increase in coverage commencing with the next policy anniversary date. Such public liability insurance policy or policies shall be stated to be primary and noncontributing with any insurance which may be carried by Landlord and shall contain a provision (provided such provisions are available without increased premium) that the Landlord, although named as an insured shall nevertheless be entitled to recover under that policy for any loss, injury or damage to the Landlord, its agents and employees or the property of such persons by reason of the negligence of Tenant. Worker's compensation insurance shall be in the amounts required by law.

The following endorsements shall be attached to the liability insurance policy:

9.3.1. If the insurance policy insures on an "accident" basis, it shall be changed to an "occurrence" basis.

9.3.2. The policy must cover personal injury, as well as bodily injury.

9.3.3. The coverage shall be at least as broad as comprehensive liability and broad form comprehensive general liability or "commercial" general liability.

9.3.4. The Landlord, its officers, agents, employees and volunteers shall be named as insured under the coverage afforded with respect to liability arising out of activities performed by or on behalf of Tenant under this contract. The coverage shall contain no special limitations on the scope of protection afforded to Landlord, its officers, agents, employees and volunteers.

9.3.5. An endorsement shall be attached which states that the coverage is primary insurance and that any insurance or self-insurance fund maintained by or available to Landlord or any of its officers, agents, employees or volunteers shall be in excess of Tenant's insurance and shall not be called upon to contribute to a loss covered by the policy.

9.3.6. The policy must provide that it shall not be canceled or changed or made the "retroactive date" of the policy or any renewal or replacement policy be changed without thirty (30) days' prior written notice to Landlord.

9.3.7. A cross-liability endorsement must be included to the effect that each insured is covered as if separate policies had been issued to each insured.

9.3.8. The liability coverage may be either on a blanket basis or a policy which specifically identifies this Agreement with a contractual liability endorsement.

9.3.9. Any deductibles or self-insured retention must be declared to and approved by Landlord. At the option of Landlord, the insurer shall reduce or eliminate such deductibles or self-insured retention as respects the Landlord, its officers, agents, employees and volunteers or the Tenant shall procure a bond guaranteeing payment of losses and related investigation, claims administration and defense expenses.

9.3.10. If the policy or policies are written on a "claims made" basis, the retroactive date of such policies shall be maintained as the date this Lease was executed or earlier in time notwithstanding any renewals of such policies or changes in insurance carriers. Further, the

reporting period for claims made under such policy or policies shall, at a minimum, continue through sixty (60) days after termination of this Lease.

9.3.11. Additional Requirements - Claims Made Policies.

9.3.11.1 Statement of Coverage. If the policy or policies are written on a "claims made" basis, the insurer shall provide Landlord with a statement specifically describing (A) the date coverage began under the policy and the retroactive date for claims received, (B) the reporting period(s) applicable to the policy, and (C) the incident, event and claims notice procedures applicable to the policy and the name and address of the person to whom notice of incidents, events and claims may be given.

9.3.11.2 Notice of Events and Claims. If the policy or policies are written on a "claims made" basis, Tenant shall give its insurance carrier and Landlord written notice of each and every event or incident occurring during the term of this Lease that may ripen into a claim. Notice shall be given no later than ten (10) days after such event or incident.

9.4. Fire Insurance. Tenant shall at all times during the term of this Lease and at its sole expense, procure and maintain in full force a policy or policies of standard fire and extended coverage insurance insuring all improvements on the Leased Premises in an amount equal to not less than the full replacement costs. Tenant agrees to reevaluate insurance coverage at three (3)-year intervals and to increase said coverage if it shall be less than the then full replacement cost of the improvements on the Leased Premises. The amount of the full replacement cost shall be determined in writing by the carrier of insurance then in force and shall be binding on the parties for the purpose of this paragraph. The insurance policies insuring against fire or other casualty shall include a "Loss Payee" endorsement issued in favor of Landlord and the interest of the holder of any "mortgage" executed by Tenant in connection with obtaining of any interim or permanent financing with respect to the Leased Premises, and said policies shall provide that any loss is payable jointly to Landlord, Tenant and the holder, if any, of a "mortgage" in the Tenant's interest under this Lease. Proceeds from any insurance policy shall be used in accordance with the provisions of this Lease dealing with use of insurance funds for repair and restoration.

9.5. Certificates or Policies of Insurance. All policies of insurance procured and maintained by Tenant hereunder shall be issued by companies authorized to do business in California having not less than Best's A rating and shall be issued in the name of the Landlord and Tenant for the mutual and joint benefit and protection of the parties. Executed copies of all insurance policies or a certificate thereof shall be delivered to Landlord on the Commencement Date and shall contain a provision that not less than thirty (30) days' written notice shall be given to Landlord prior to the cancellation, reduction of coverage, expiration or any material change in any such policy.

9.6. Use of Insurance Funds for Repair and Restoration. In the event any buildings, structures or improvements located on the Leased Premises are damaged by fire or other casualty, any such sums as are received from or on account of any policy of insurance covering the same shall, except as provided in Section 10 below, be expended for the restoration, repair or replacement of said buildings, structures or improvements.

9.7. Failure to Provide Insurance. If Tenant fails or refuses to procure or to maintain insurance as required by this Lease or fails or refuses to furnish Landlord with required proof that the insurance has been procured and is in force and paid for, Landlord shall have the right at Landlord's election, without notice, to procure and maintain such insurance. The premiums paid by Landlord shall be treated as added rent due from Tenant with interest at the Bank of America prime rate, to be paid within thirty (30) days of demand. Landlord shall give prompt notice of the payment of such premiums, stating the amounts paid and the names of the insurer or insurers.

9.8. Waiver of Subrogation. The parties hereby release each other, and their respective representatives, from any claims for damage to any person or to the Premises and the improvements which may be located upon the Premises and to the fixtures, personal property, Tenant's improvements and alterations of Tenant in or on the Premises and the improvements which may be located upon the Premises that are caused by or result from risks insured against under any insurance policies carried by the parties hereto and in force at the time of any such damage. Each party hereto shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy, provided obtaining such a waiver in each such policy is then available at a reasonable charge. Neither party hereto shall be liable to the other for any damage caused by fire or any of the risks insured against under any insurance policy required by this Lease.

10. REPAIR AND RESTORATION

If during the term of this Lease any building or improvement on the Leased Premises or any part thereof shall be damaged or destroyed by fire or other casualty, Tenant shall, at its sole cost and expense, repair or restore the same according to the original plans thereof or to such modified plans as shall be previously approved in writing by Landlord pursuant to Section 8. If such damage or destruction occurs during the last two (2) years of the Lease term Tenant shall have no duty to repair or restore, and if Tenant elects not to repair or restore, this Lease shall terminate and Landlord shall receive all insurance proceeds that are attributable to those improvements that would become the property of the Landlord pursuant to Section 17. Such work of repair or restoration shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed with diligence but not longer than one (1) year after such work is commenced, provided, however, that the time for completion of such repair and restoration shall be extended as appropriate in accordance with the provisions of Section 21.15 below. If insurance proceeds provided for above shall be insufficient for the purpose of such restoration and repair, or if the casualty is one not required to be insured against, then Tenant shall make up the deficiency out of its own funds. Tenant waives the provisions of Civil Code Sections 1932(2) and 1933(4) with respect to any destruction of the Premises.

11. ASSIGNMENT AND SUBLETTING

11.1. Restriction of Assignment. Except as provided in Section 19 of this Lease entitled "Hypothecation of Leasehold Interest," Tenant shall not encumber, assign or otherwise transfer this Lease, or any right or interest hereunder, or in or to any of the improvements constructed or installed on the Leased Premises, in whole or in part, without the prior written consent of Landlord. Landlord's consent will not be unreasonably withheld. If Tenant is a corporation or a

partnership, any change in Tenant which would be a "change in ownership" pursuant to California Revenue and Taxation Code Sections 60 et seq. shall be deemed an assignment subject to Landlord's consent. It shall not be unreasonable for Landlord to withhold or condition its consent based on the prospective assignee's financial strength, credit history or any other factor which Landlord reasonably believes germane to a tenant's ability and willingness to perform the obligations of this Lease. No such assignment shall release Tenant of further liability under this Lease unless express written approval is signed by Landlord.

11.2. Restriction on Subleasing. Tenant may not sublease all or any portion of the Leased Premises or the improvements constructed or installed on the Leased Premises without the prior written consent of Landlord. Landlord's consent shall not be unreasonably withheld.

Any such sublease shall provide (A) such subleasing shall be subject to the terms of this Lease, (B) such subleasing shall comply with all applicable statutes and regulations, including, without limitation, the California Subdivision Map Act and the provisions of Section 20 hereof, (C) all building improvements and alterations constructed on the Leased Premises shall have been approved by Landlord pursuant to Section 8 of this Lease, (D) Tenant shall remain liable under this Lease; (E) subtenant shall not be permitted to further assign or sublet the Leased Premises to any person or entity, including the affiliated entities stated above, and (F) each sublease shall contain a provision satisfactory to Landlord requiring the subtenant, if Landlord shall so demand as provided below, to attorn to Landlord if Tenant defaults under this Lease, and if the subtenant is notified of Tenant's default and instructed to make subtenant's rental payments to Landlord, but Landlord shall have no obligation to recognize the subtenant or to allow any subtenant to remain in possession upon the default of Tenant. Tenant's failure to comply with any of the foregoing requirements shall render any such sublease void.

11.3. Effect of Failure to Comply. Except as provided above, no encumbrance, assignment or other transfer, whether voluntary, involuntary, by operation of law, under legal process, through a receivership, bankruptcy or otherwise, shall be valid or effective without the prior written consent and approval of Landlord. Except as provided in Section 11.1 and 11.2, if Tenant attempts to make or allow to be made any subleasing, encumbrance, assignment or other transfer except in accordance with the provisions of this Section 11, then any of the foregoing events shall be deemed a breach of the conditions and restrictions of this Lease, and upon such breach, Landlord may, at its option, terminate this Lease at once by written notice, and upon such termination this Lease shall end and be of no further force.

12. CONDEMNATION

If, during the term of this Lease there is a taking, or transfer of, or damage to all or any part of the Leased Premises (Leased Premises as used herein shall include all appurtenant interests such as access rights) for a public use by any individual or entity, public or private, possessing the power of eminent domain, whether by condemnation proceedings or otherwise (hereinafter referred to as "**appropriation**"), the rights and obligations of Landlord and Tenant with regard to such appropriation shall be governed by the provisions of this Section.

12.1. Date of Taking. The date of taking, as used in this Section, is defined as the earliest of the following dates: (A) the date legal possession is taken, which is defined as the date, if any is

established, after which the condemnor may take possession of the property as stated in an order authorizing the condemnor to take possession; (B) the date a final order of condemnation or final judgment is filed or recorded or the date a deed is recorded in the event of a voluntary sale; and (C) the date physical possession of the property is taken.

12.2. Total Taking. Total taking means an appropriation of the entire Leased Premises or so much thereof as to prevent or substantially impair the conduct of Tenant's business unless Tenant elects to continue the Lease in effect. If during the term of this Lease there is an appropriation of the Leased Premises which amounts to a total taking as herein defined, then the leasehold estate of Tenant in and to the Leased Premises shall cease and terminate as of the date of such taking, and all rentals and other charges payable by Tenant to Landlord hereunder and attributable to the Leased Premises shall be paid up to the date of such taking.

12.3. Partial Taking. The term "**partial taking**" shall mean the taking of a portion only of the Leased Premises which does not constitute a total taking as defined above. If during the term of this Lease there shall be a partial taking of the Leased Premises, this Lease shall terminate as to the portion of the Leased Premises so taken at the date of taking as herein defined, but said Lease shall continue in force and effect as to the remainder of the Leased Premises. The rental payable hereunder by Tenant shall, as of the date of taking, be adjusted so that Tenant shall be required to pay for the remainder of the term only such portion of such rent as the value of the part of the Leased Premises remaining after the taking bears to the value of the entire Leased Premises at the date of taking.

12.4. Abandonment of Proceedings. In the event the condemning agency shall abandon an eminent domain proceeding, either party hereto shall have the right to contest the condemnor's abandonment and a right to its respective costs and disbursements as defined and provided for in California law. If after the condemnor takes possession or the Tenant moves from the property sought to be condemned in compliance with an order of possession, the condemnor abandons the proceeding as to such property or a portion thereof, or if it is determined that the condemnor does not have authority to take such property or portion thereof by eminent domain and the condemnor is required by law to deliver possession of such property or such portion thereof to the party entitled to the possession thereof and pay damages as provided for in California law, then Tenant shall receive the award for costs and damages incurred by reason of Tenant being removed from possession of the Premises, but Tenant shall be entitled to retake possession of the Premises and, in the event of such repossession by Tenant, all of the terms of this Lease shall remain in operation and effect.

12.5. Allocation of Award. All compensation and damages awarded for the taking of the Leased Premises or any portion thereof shall, except as otherwise herein provided, belong to and be the sole property of Landlord. However, any award that may be made for the taking of or injury to the Approved Improvements, and all other improvements constructed by Tenant on the Leased Premises shall belong to Tenant. Tenant shall be entitled to any award for damage to Tenant's business or on account of any cost or loss Tenant may sustain in the removal of Tenant's fixtures, equipment and furnishings, or as a result of any alterations, modifications or repairs which may be reasonably required by Tenant in order to place the remaining portion of the Leased Premises not so condemned in a suitable condition for the continuance of Tenant's tenancy. Tenant shall also be entitled to that portion of any award that may be attributable to any

severance damages to the remaining leasehold interest, to any improvements constructed by Tenant, and to good will.

12.6. Cost. Each party shall bear his own costs, attorneys' fees, appraiser's fees and all other costs in connection with any matter contained in this Section, except as may be otherwise provided.

12.7. Right of Entry. Neither party hereto shall grant a right of entry to any condemnor without the written consent of the other party hereto.

13. DEFAULT

The occurrence of any one or more of the following events shall constitute a default under this Lease by Tenant:

13.1. Failure to pay an installment of rent or other sum when due;

13.2. Failure to pay any insurance premium, lien, claim, demand, judgment or other charge provided for in this Lease to be paid or caused to be paid by Tenant at the time and in the manner as provided for in this Lease;

13.3. Failure to maintain the Leased Premises or cause the same to be maintained as provided for in this Lease;

13.4. Abandonment of the Leased Premises after completion of construction for a continuous period of ninety (90) days;

13.5. Default by Tenant under the terms of any mortgage on the estate of Tenant;

13.6. Failure to perform or breach of any other covenant, condition or restriction provided for in this Lease; and

13.7. Failure to maintain compliance with Economic Development Administration Civil Rights Provisions and Certificate on Non-relocation.

14. REMEDIES IN EVENT OF DEFAULT

Upon any default of Tenant, and in the event the said default is due to the failure of Tenant to make the payment of any installment of rent or other sum when due, and in the event Tenant shall fail to remedy such default within ten (10) days after written notice to do so, or upon any other default by Tenant, and in the event that Tenant shall fail to remedy such other default within thirty (30) days after written notice from Landlord so to do specifying the nature of such default, or if such default cannot be cured within thirty (30) days, Tenant has not commenced corrective action and prosecuted the same to completion with due diligence, or in the event that the default is of such a nature that it cannot be cured by any action of Tenant, then and in any of these events, in addition to any other remedy Landlord may have by operation of law, Landlord shall have the right but not the obligation without any further demand or notice to

reenter the Leased Premises and eject all persons from the Leased Premises, using due process of law, and either:

14.1. Immediately terminate Tenant's right to possession of the Premises, and repossess the same by summary proceedings or other appropriate action, and Landlord shall thereupon be entitled to receive from Tenant all damages specified in California Civil Code Section 1951.2(a), including, without limitation, the right to receive 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 such rental loss for the same period that Tenant proves could be reasonably avoided; all of which damages to the extent specified in Section 1951.2(b) shall be computed by allowing interest at the maximum rate permitted by law. Landlord shall also have the right, but no duty, to cure any default of Tenant under the terms of any mortgage on the estate of Tenant.

14.2. Without terminating this Lease or the Tenant's right to possession, relet the Leased Premises or any part of the Leased Premises as the agent and for the account of Tenant upon such reasonable terms and conditions as Landlord may deem advisable, in which event the rents received on such reletting and collection shall be applied first to the reasonable expenses of such reletting and collection, including necessary renovation and alterations of the Leased Premises, reasonable attorneys' fees, any real estate commissions paid, and thereafter to payment of all sums due or to become due to Landlord under this Lease, and if a sufficient sum shall not be thus realized by the payment of such sums and other charges, Tenant shall pay Landlord any deficiency notwithstanding Landlord may have received rental in excess of the rental stipulated in this Lease in previous or subsequent months, and Landlord may bring an action therefor as such monthly deficiency shall arise.

If Tenant fails to provide necessary repair and maintenance of the Premises and all improvements thereon, Landlord shall have the right, after notice provided for above and failure of Tenant to cure or commence and diligently pursue a cure, to enter the Premises and take all corrective action necessary in the sole judgment of Landlord. Any such entry shall be at the sole risk and expense of Tenant. Tenant shall immediately, upon presentation of a statement therefor, reimburse Landlord for all costs incurred by Landlord in taking such corrective action with interest on said sums from the date of payment by Landlord at the lower of: (A) the highest rate allowed by law; or (B) two points over the prime rate charged from time to time by the Bank of America, or if the Bank of America no longer exists, an equivalent institution. Nothing in this Section shall: (i) require Landlord to take any corrective action on the Premises; (ii) diminish the rights and remedies of Landlord under this Lease, whether or not Landlord elects to take such corrective action; and (iii) cause a waiver by Landlord of any of its rights and remedies under this Lease. Any such reentry shall be allowed by Tenant without hindrance, and Landlord shall not be liable in damages for any such reentry, or be guilty of trespass or forcible entry.

15. LANDLORD'S RIGHT TO SELL ITS INTEREST

15.1. Landlord's Right to Sell. Landlord shall have the right to sell all of its interest in the Leased Premises and any lease with respect thereto. If Landlord chooses to exercise such right to sell, and whether such sale is to a public entity or non-public entity, Landlord shall conduct the sale in accordance with the legal requirements imposed upon a municipality by law.

15.2. Landlord's Sale to Non-Public Entity; Right of First Refusal. Subject to Section 15.1 above, if Landlord chooses to exercise such right to sell, and if such sale is proposed to any non-public entity, then Landlord agrees to offer Tenant, in writing, the right of first refusal (the "**Right of First Refusal**") to such sale. The Right of First Refusal shall include without limitation, the date of the offer (the "**Offer Date**") to Tenant and the purchase price (the "**Purchase Price**") for which Landlord has decided to sell the Leased Premises to such non-public entity. The Right of First Refusal must be accepted in writing by Tenant at the Purchase Price no later than ten (10) days after the Offer Date. Tenant's failure to comply with the foregoing acceptance requirements shall be deemed Tenant's rejection of the Right of First Refusal, thereby releasing Landlord of any obligation to sell its interest in the Leased Premises to Tenant.

15.3. Landlord's Release from Liability Upon Sale. In the event of any such sale by Landlord, Landlord shall be and is hereby entirely freed and relieved of all liability under all of its covenants and unaccrued obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale.

16. ESTOPPEL CERTIFICATES

Landlord and Tenant shall, respectively, at any time and from time to time upon not less than ten (10) days' prior written request by the other, deliver to the requesting party an executed and acknowledged statement in writing certifying:

16.1. That this Lease is unmodified and in full force and effect (or if there has been any modification(s) thereof that the same is in full force and effect as modified, and stating the nature of the modification or modifications);

16.2. That to its knowledge the requesting party is not in default under this Lease (or if any such default exists, the specific nature and extent thereof), and

16.3. The date to which rent and other charges have been paid in advance, if any. Each certificate delivered pursuant to this Section may be relied on by any prospective purchaser or transferee of the Leased Premises or of Landlord's or Tenant's interest hereunder or by any fee mortgagee of the Leased Premises or of Landlord's or Tenant's interest hereunder or by any assignee of any such mortgagee.

17. OWNERSHIP OF IMPROVEMENTS

At the expiration or sooner termination of the term of this Lease, all improvements pertaining to the real property shall become the property of Landlord.

18. SUBORDINATION FOR BENEFIT OF LANDLORD

If Landlord desires this Lease to be subordinated to any mortgage, deed of trust or other encumbrance ("**Fee Mortgage**") now or hereafter placed upon the Leased Premises by Landlord, and all advances, whether obligatory or optional made on the security thereof, and to all renewals, modifications, consolidations, replacements and extensions thereof, this Lease, at Landlord's election, shall be subordinate to any such Fee Mortgage provided Landlord first

obtains from the lender a written agreement that provides substantially as follows: As long as Tenant performs its obligations under this Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the encumbrance, and no steps or procedures taken under the encumbrance, shall affect Tenant's rights under this Lease.

Subject to the foregoing, Tenant agrees to execute any documents required to effectuate such subordination, and failing to do so within ten (10) days after Landlord's written request to Tenant therefore, does hereby irrevocably appoint Landlord as Tenant's attorney-in-fact in Tenant's name to do so.

19. HYPOTHECATION OF LEASEHOLD INTEREST

Tenant is hereby given the right by Landlord, in addition to any other rights herein granted, without Landlord's prior written consent, to mortgage its interest in this Lease, under one or more leasehold Mortgage(s) and assign its interest in this Lease, as collateral security for such Mortgage(s) to secure any bona fide loan upon the condition that all rights acquired under such leasehold Mortgage(s) shall be subject to each and all of the covenants, conditions and restrictions set forth in this Lease, and to all rights and interest of Landlord herein, none of which covenants, conditions or restrictions is or shall be deemed waived by Landlord by reason of the right given so to mortgage such interest in this Lease, except as expressly provided herein. If Tenant shall mortgage this leasehold, and if the holder(s) of such Mortgage(s) shall, within thirty (30) days of execution, send to Landlord a true copy thereof, together with written notice specifying the name and address of the Mortgagee(s) and the pertinent recording data with respect to such Mortgage(s), Landlord agrees that (effective upon receipt of such notice) so long as any such leasehold Mortgage(s) shall remain unsatisfied of record or until written notice of satisfaction is given by the holder(s) to Landlord, the following provisions shall apply:

19.1. Except for the natural expiration of the term of this Lease, there shall be no cancellation, surrender or material modification of this Lease by joint action of Landlord and Tenant without the prior consent in writing of the leasehold Mortgagee(s);

19.2. Landlord shall, upon serving Tenant with any notice of default, simultaneously serve a copy of such notice upon the holder(s) of record of such leasehold Mortgage(s). The leasehold Mortgagee(s) shall thereupon have sixty (60) days, after service on it of such a notice, either to cure such default or breach, if the same can be cured by the payment of money, or if such default or breach is not so curable or cannot be remedied within said sixty (60) day period, if such holder, within said period, shall (A) commence in good faith to cure such default or breach if curable and thereafter diligently prosecute the same to completion, or (B) institute proceedings for the foreclosure of such mortgage and thereafter diligently prosecute the same to completion; provided such holder keeps and performs all of the covenants and conditions of this Lease herein provided to be kept and performed by Tenant, and capable of being performed by such holder, until such time as Tenant or such holder shall cure any defaults hereunder (if curable) or until the leasehold hereunder shall be either sold upon foreclosure pursuant to any such mortgage or shall be released from said mortgage or reconveyed thereunder.

The time periods set forth immediately above shall be extended for delays occasioned by the application of any law, rule, court order or court decree restraining or prohibiting such

leasehold Mortgagee(s) from taking any such action. If such leasehold Mortgagee(s) undertakes to so cure any such default by Tenant in accordance with the terms and conditions set forth in this subsection 19.2, Landlord shall not terminate this Lease. If the leasehold Mortgagee(s) has fully complied with the foregoing provisions of this subsection 19.2 but all such defaults of Tenant have not been cured by the time that Tenant's interest under this Lease is sold by a judicial or nonjudicial foreclosure sale or by deed in lieu of foreclosure, the party who acquires such leasehold estate and interest through such foreclosure sale or deed in lieu of foreclosure shall not be in default hereunder by reason of such uncured defaults, provided such party diligently prosecutes to completion the curing of all such defaults which are curable by such party.

19.3. Notwithstanding anything contained herein to the contrary, if Landlord shall elect to terminate this Lease by reason of any default of Tenant, the leasehold Mortgagee(s) shall have the right to postpone and extend the specified date for termination of this Lease as fixed by Landlord in its notice of termination, for a period of six (6) months, provided that such leasehold Mortgagee(s) shall cure or cause to be cured any then existing money defaults and meanwhile pay the rent and comply with and perform all of the other terms, conditions and provisions of this Lease on Tenant's part to be complied with and performed, and capable of being performed by such holder, other than past nonmonetary defaults, and provided further that the leasehold Mortgagee(s) shall forthwith take steps to acquire or sell Tenant's interest in this Lease by foreclosure of the Mortgage(s) or otherwise and shall prosecute the same to completion with all due diligence. If at the end of said six (6) month period the leasehold Mortgagee(s) shall be actively engaged in steps to acquire or sell Tenant's interest herein, the time of said Mortgagee(s) to comply with the provisions of this Section 19.3 shall be extended for such period as shall be reasonably necessary to complete such steps with reasonable diligence, but in no event shall such extension exceed an additional twelve (12) months.

19.4. Landlord agrees that the name of the leasehold Mortgagee(s) may be added to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Tenant hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Lease and that the leasehold Mortgagee(s) or collateral document shall so provide.

19.5. Nothing contained herein shall require the leasehold Mortgagee(s) to cure any default of Tenant hereunder, but such failure to cure and proceed in accordance with this Section 19 shall leave Landlord free to terminate this Lease and to pursue all of its rights against Tenant.

19.6. Any act required to be performed by Tenant pursuant to the terms of this Lease may be performed by any leasehold mortgagee on Tenant's behalf and the performance of such act shall be deemed to be performance by Tenant and shall be acceptable as Tenant's act by Landlord.

20. COMPLIANCE WITH FEDERAL REQUIREMENTS

20.1. Tenant, for itself, its heirs, personal representatives, successors in interest, sub-lessees and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained or otherwise operated on the said property described in this Lease for a purpose for which a Department of Transportation 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 other requirements imposed pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, or as said Regulations may be amended.

20.2. Tenant, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land: (A) that no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of or be otherwise subjected to discrimination in the use of said facilities; (B) that in the construction of any improvements on, over or under such land and the furnishing of services thereon, no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of or otherwise be subject to discrimination; and (C) that Tenant shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

20.3. That in the event of breach of any of the above nondiscrimination covenants, Landlord shall have the right to terminate the Lease and to reenter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of Title 49, Code of Federal Regulations, Part 21, are followed and completed, including expiration of appeal rights.

20.4. Tenant shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

20.5. Noncompliance with Section 20.4 above shall constitute a material breach thereof and, in the event of such noncompliance, Landlord shall have the right to terminate this Lease and the estate hereby created without liability therefore or at the election of Landlord or the United States either or both said Governments shall have the right to judicially enforce provisions.

20.6. Tenant agrees that it shall insert Sections 20.1 through 20.5 in any lease agreement by which said Tenant grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises herein leased.

21. MISCELLANEOUS

21.1. Attorneys' Fees. In the event any action is brought by Landlord to recover any rent due and unpaid hereunder or to recover possession of the Leased Premises, or in the event any action is brought by Landlord or Tenant against the other to enforce or for the breach of any of the terms, covenants or conditions contained in this Lease, the prevailing party shall be entitled to

recover reasonable attorneys' fees to be fixed by the Court, together with costs of suit therein incurred.

21.2. Waiver. No waiver of any breach of any of the terms, covenants, agreements, restrictions or conditions of this Lease shall be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions and conditions hereof. No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of any such right or remedy or of any default by Tenant under this Lease. The various rights and remedies reserved to Landlord herein including those not specifically described in this Lease shall be cumulative and, except as otherwise provided by California statutory law in force at the time of execution of this Lease, Landlord may pursue any or all of such rights and remedies whether at the same time or otherwise.

21.3. Holding Over. If Tenant shall hold over the Leased Premises after the expiration of the term hereof with the consent of Landlord, either express or implied, such holding over shall be construed to be only a tenancy from month to month, subject to all the covenants, conditions and obligations hereof, and Tenant hereby agrees to pay to Landlord double the amount of Rent; provided, however, that nothing herein contained shall be construed to give Tenant any rights to so hold over and to continue in possession of the Leased Premises after the expiration of the term hereof.

21.4. Surrender at End of Term. Upon the end of the term of this Lease, as provided herein, or any extension thereof, or sooner termination of this Lease, Tenant shall surrender to Landlord all and singular the Leased Premises, together with all improvements, except as hereinabove provided, and all fixtures appurtenant to the real estate in good condition, reasonable wear and tear excepted.

21.5. Lease Binding Upon Successors and Assigns. Subject to the limitations on assignment and subleasing, each of the terms, covenants and conditions of this Lease shall extend to and be binding on and inure to the benefit of not only Landlord and Tenant, but each of their successors and assigns. Whenever in this Lease reference is made to either Landlord or Tenant, the reference shall be deemed to include, wherever applicable, the successors and assigns and such parties the same as if in every case expressed.

21.6. Inspection. Landlord reserves the right for Landlord and Landlord's agents and representatives to enter upon the Leased Premises at any reasonable time upon five (5) days prior written notification for the purpose of attending to Landlord's interest hereunder, and to inspect the Leased Premises.

21.7. Relationship of Parties. The relationship of the parties hereto is that of Landlord and Tenant, and it is expressly understood and agreed that Landlord does not in any way nor for any purpose become a partner of Tenant or a joint venturer with Tenant in the conduct of Tenant's business or otherwise.

21.8. Time of the Essence. Time is expressly declared to be of the essence of this Lease.

21.9. Memorandum of Lease. This Lease shall not be recorded, but the parties agree to execute and deliver a Memorandum of this Lease in recordable form.

21.10. Quitclaim. At the expiration or earlier termination of this Lease, Tenant shall execute, acknowledge and deliver to Landlord within five (5) days after written demand from Landlord to Tenant any quitclaim deed or other document required by any reputable title company to remove the cloud of this Lease from the real property subject to this Lease.

21.11. Number and Gender. Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and the word "**person**" shall include corporation, firm or association. If there is more than one Tenant, the obligations imposed under this Lease upon Tenant shall be joint and several.

21.12. Headings and Titles. The marginal headings or titles to the Sections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

21.13. Compliance with Governmental Regulations. Tenant shall, at its own cost and expense, promptly and properly, comply with and execute, including the making of any alteration to the Leased Premises, all orders, regulations, laws and requirements of all governmental authorities arising from the use or occupancy of, or applicable to, the Leased Premises ("**Applicable Laws**").

21.14. Entire Agreement. This Lease contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other previous agreement, statement or promise made by any party hereto which is not contained herein shall be binding or valid.

21.15. Force Majeure. Except as to the payment of rent, neither of the parties hereto shall be chargeable with, liable for, or responsible to, the other for anything or in any amount for any delay caused by fire, earthquake, explosion, flood, hurricane, the elements, acts of God, or the public enemy, action or interference of governmental authorities or agents, war, invasion, insurrection, rebellion, riots, strikes, or lockouts or any other cause whether similar or dissimilar to the foregoing, which is beyond the control of such parties and any delay due to said causes or any of them shall not be deemed a breach of or default in the performances of this Lease.

21.16. Disclaimer of Representation. Except as otherwise specifically provided herein, Landlord has made no representations or warranties to the Tenant concerning the Leased Premises, the present use thereof or the suitability for Tenant's intended use of the property. The foregoing disclaimer includes, without limitation, topography, climate, air, water, water rights, utilities, present and future zoning, soil, subsoil, drainage, access to public roads, proposed routes of roads, or extension thereof, or effect of any state or federal environmental protection laws or regulations. Tenant represents and warrants to Landlord that he and his representatives have made or will make their own independent inspection and investigation of the Leased Premises and Tenant, in entering into this Lease, is relying solely on such inspection and investigation. No patent or latent physical condition of Leased Premises, whether or not known or discovered, shall affect the rights of either party hereto. Any agreement, warranties or representations not expressly contained herein shall in no way bind either Tenant or Landlord. Landlord and Tenant waive any right of rescission and all claims for damages by reason of any statement, representations, warranty, promise and agreement, if any, not contained in this Lease.

21.17. Quiet Enjoyment. This Lease is subject and junior to all existing easements, covenants, conditions and restrictions and other matters and encumbrances of record. As long as Tenant is not in default of any provision of the Lease, Tenant shall have quiet enjoyment of the Premises.

21.18. Late Charge. Both Landlord and Tenant acknowledge and agree that Landlord is dependent on the revenue from Tenant for Airport operations and that it would be extremely difficult to estimate the damages to Landlord from late payment by Tenant. If any installment of Base Rent or other payment due from Tenant is not received by Landlord within ten (10) days of the date upon which it is due, Tenant shall pay to Landlord an additional charge of ten percent (10%) of the overdue payment as a late charge.

21.19. Interest on Past Due Obligations. Any amount due from Tenant to Landlord which is not paid when due shall bear interest at an annual rate equal to the higher of (A) ten percent (10%) per annum, or (B) five percent (5%) per annum in excess of the prevailing rate established by the Federal Reserve Bank at San Francisco on advances to member banks on the twenty-fifth (25th) day of the month preceding the Commencement Date (but not more than the maximum rate permissible by law), from the due date until paid, but the payment of such interest shall not excuse or cure any default by Tenant. Said interest is in addition to the late charge due pursuant to Section 21.18.

21.20. Rules and Regulations. Tenant shall comply with all uniform rules and regulations established by Landlord for use of the Airport or the Premises, as the same may be amended from time to time by Landlord. Landlord shall provide Tenant with a copy of all such rules and regulations and any and all amendments thereto. Landlord shall not be responsible to Tenant for the nonperformance of any other tenant or occupant of the Airport of any of said rules and regulations.

21.21. Estoppel. Within ten (10) days after a written request from Landlord, Tenant shall deliver to Landlord or any party designated by Landlord an estoppel statement confirming that this is the Lease, the date to which rent has been paid, whether or not Landlord is then in default under the Lease and such other statements as Landlord reasonably requests. Tenant shall be liable to Landlord for all damages suffered by Landlord attributable to Tenant's failure to timely deliver an accurate estoppel, including loss or renegotiation of a sale, financing or bond financing.

21.22. Transfer of Landlord's Interest. In the event of any transfer of Landlord's interest in the Premises, the transferor shall be automatically relieved of any and all obligations and liabilities accruing from and after the date of such transfer.

21.23. Airport Operation. It is understood and agreed that general control over said Airport and all flying activities in connection therewith are vested by law in the City acting by and throughout its City Council, Committees and Officers appointed by such City Council. In the general operation of any activities conducted under the terms of this Lease, Lessee agrees to comply with all reasonable rules and regulations adopted by the City for the use and operation of the said Airport which are not in conflict with the terms of this Lease.

21.24. Continued Operation. Save and except as to acts beyond its control, the City does hereby obligate itself during the terms hereof to continue the operation of said Airport as a public airport, consistent with public regulations.

21.25. Payments and Notices. Any notice to be given or other document to be delivered by either party to the other party may be given by personal delivery, generally recognized overnight courier, prepaid, or may be deposited in the United States mail, duly registered or certified, with postage prepaid, and addressed to the party for whom intended as follows:

To Landlord: City of Paso Robles
 Municipal Airport
 1000 Spring Street
 Paso Robles, CA 93446

To Tenant: Applied Technology Associates, Inc.



Either party hereto may from time to time by written notice to the other party designate a different address which shall be substituted for the one specified above. Notices and documents shall be served upon receipt or, if any notice or other document is sent by registered or certified mail, as provided above, the same shall be deemed served or delivered seventy-two (72) hours after the mailing thereof.

[Signatures appear on following page]

This Municipal Airport Property Lease / Nonsubordinated Airport Ground Lease has been executed on the date first set forth, to become effective as of the Commencement Date.

LANDLORD:

CITY OF EL PASO DE ROBLES

TENANT:

APPLIED TECHNOLOGY ASSOCIATES, INC., a California corporation

By: _____
James L. App, City Manager

By: _____

APPROVED AS TO FORM:

Iris P. Yang, City Attorney

ATTEST:

Dennis Fansler, City Clerk

EXHIBIT "A"

Legal Description of Leased Premises

A leasehold estate described as follows:

Parcel 1 of Parcel Map No. PRAL 14-038 in the City of El Paso De Robles, County of San Luis Obispo, State of California, according to map recorded _____, 2014 in Book _____, Page _____ of Parcel Maps, in the office of the County Recorder of said County.

APN: 025-452-003

EXHIBIT B

HAZARDOUS MATERIALS LIST SDI

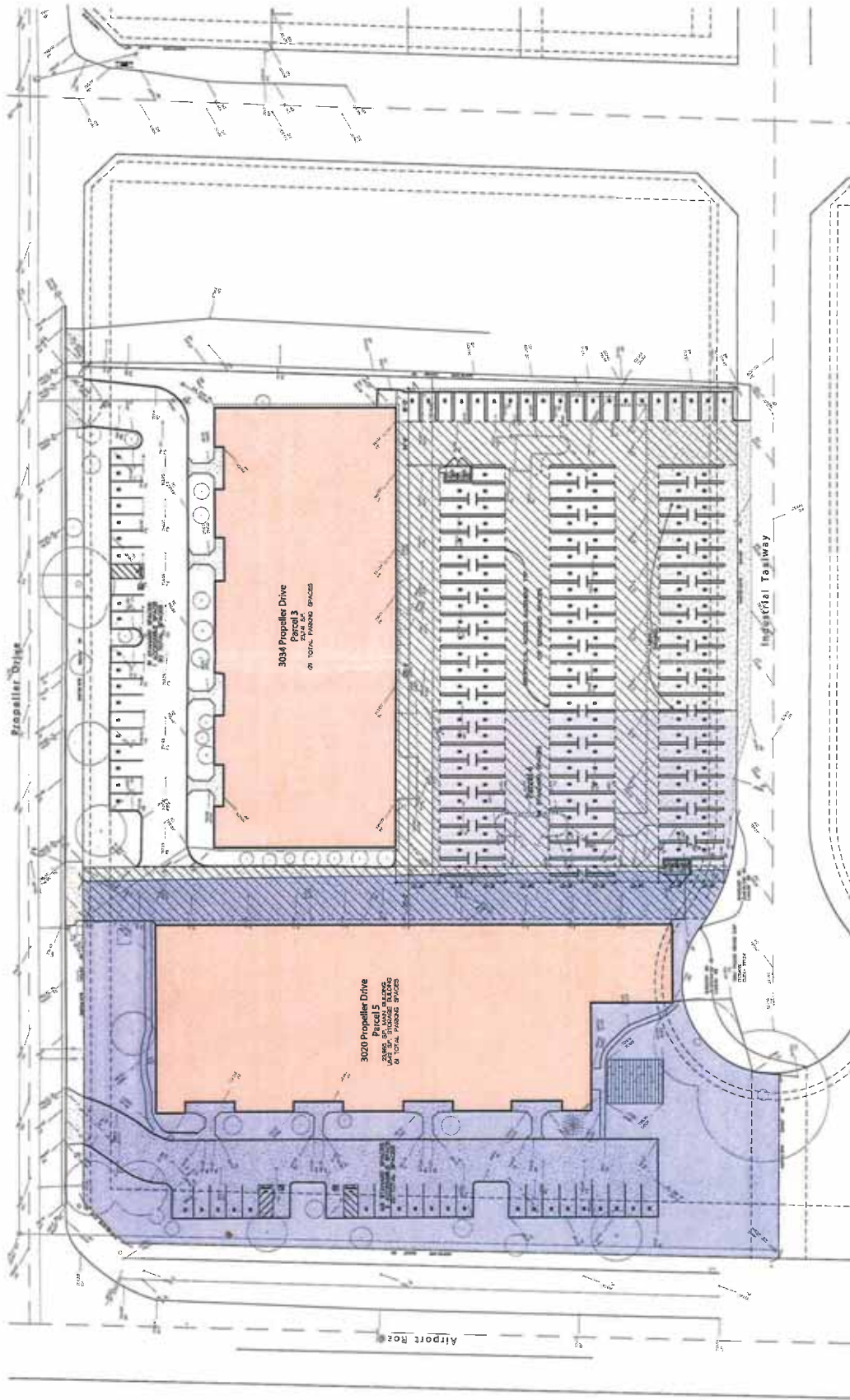
<u>Chemical, Substance or Material</u>	<u>Type of Hazard</u>	<u>Location / Use</u>
Aluminum Oxide White #33 (50 microns) Blasting media	Inhalation, eye irritant	Sand blasting room
Aluminum oxide Brown #220 Grit Blasting media	Inhalation, eye irritant	Sand blasting room
Tip Tinner	none	All production areas
MS-550 spray solvent	Inhalation, eye and skin irritant, ingestion	All production areas
Allen A-100 Super Activated Rosin Flux, 26-100-00	Flammable, inhalation, eye and skin irritant, ingestion	All production areas
Kester 186 soldering flux	Flammable, inhalation, eye and skin irritant, ingestion	All production areas
Kester SP-30 soldering flux paste	Flammable, inhalation, eye and skin irritant, ingestion	Coil winding
Simple Green Clean Building All-Purpose Cleaning Concentrate	Ingestion, eye irritant	Bearing assembly
Dow Corning 3140 (RTV)	Flammable, eye irritant, inhalation, health	Keeper Lab
Mold Release MR-11	Flammable, health, eye and skin irritant, ingestion	Keeper Lab
Hysol A - EA 9395 Part A (epoxy)	Flammable, eye irritant, skin irritant, inhalation	Keeper Lab
Hysol B - EA 9395 Part B (epoxy)	Flammable, eye irritant, skin irritant, inhalation, ingestion	Keeper Lab
Loctite ® Tak Pak ® 444 Instant Adhesive	Flammable, eye and skin irritant, inhalation, health	All production areas

Loctite Tak Pak ® 7452 ™ Accelerator	Flammable, eye and skin irritant, inhalation, health	Gyro assembly
420 Super Bonder ® Instant Adhesive	Flammable, eye and skin irritant, inhalation, health	All production areas
X-NMS Clean Up Solvent for Instant Adhesive	Flammable, eye and skin irritant, inhalation, health	All production areas
Krytox 143 series fluorinated oils	Health, inhalation, eye irritant	Gyro, Accel production cleanroom
HFE-71DE 3M ™ Novec ™ Engineered Fluid (solvent)	Inhalation, eye and skin irritant, ingestion	Gyro and Accel production
Galden Perfluorosolv ™ PFS-2 (solvent)	Inhalation, eye and skin irritant, ingestion	Gyro production
Frekote 1711 I	Flammable, inhalation, eye and skin irritant, ingestion,	Coil winding
Fomblin Z-03	Inhalation, eye and skin irritant	Gyro production
Fomblin Z-15	Inhalation, eye and skin irritant	Gyro production
Techtride NPB-DG (solvent)	Inhalation, eye and skin irritant, ingestion	All production areas
Adhesive FA-8	Inhalation, eye and skin irritant, ingestion	All production areas
Adhesive LCA-4	Inhalation, eye and skin irritant, ingestion	All production areas
Adhesive LCA-48	Inhalation, eye and skin irritant, ingestion	All production areas
Dow Corning Conformal Coating 1-2577	Flammable, inhalation, eye and skin irritant, health	Keeper Lab

Isopropyl Alcohol 99% (solvent)

Flammable,
inhalation, eye
and skin irritant,
ingestion

All production areas



Site Plan - Proposed Parking Layout

Industrial Buildings
Propeller Investment
Properties, LLC

3020 & 3034 Propeller Drive
Paso Robles, California

