

LEASE/CONCESSION AGREEMENT

(No. 5047)

SAN CARLOS AIRPORT

670 AIRPORT DRIVE

TENANT: SUNBOW INC. dba AIR WEST AIRCRAFT ENGINES

DRAFT

June, 2004

Lease No. 5047 -Air West Engines

1. PARTIES	3
2. TERMS, COVENANTS AND CONDITIONS	3
3. PREMISES	3
4. TERM	3
5. MONTHLY RENTAL	1
6. EXTENSION OPTION	1
7. COST-OF-LIVING RENTAL ADJUSTMENTS	3
8. GROSS REVENUES	3
9. ACCOUNTS AND RECORDS	4
10. LATE CHARGES AND RETURNED CHECK CHARGE	5
11. USE	6
12. USE OF AIRPORT FACILITIES	6
13. MOTOR VEHICLES/PARKING	6
14. UTILITIES	6
15. JANITORIAL SERVICES	7
16. ASSESSMENTS/TAXES	7
17. POSSESSORY INTEREST TAX	7
18. MAINTENANCE AND REPAIRS	7
19. TERMINATION	8
20. DAMAGE OR DESTRUCTION	8
21. SURRENDER OF PREMISES	9
22. ENTRY BY LANDLORD	9
23. RESERVATIONS	9
24. CONSENT OF PARTIES	10
25. ALTERATIONS AND ADDITIONS	10
26. DEFAULT	10
27. INDEMNIFICATION AND INSURANCE	12
28. HAZARDOUS MATERIALS ACTIVITY	15
29. COMPLIANCE WITH SAN CARLOS AIRPORT RULES AND REGULATIONS AND FAA STANDARD PROVISIONS	16
30. NON-ABROGATION OF UNITED STATES GOVERNMENT RIGHTS	16
31. HOLDING OVER	16
32. ASSIGNMENT AND SUBLETTING	16
33. SAN MATEO COUNTY NO SMOKING ORDINANCE	17
34. OPERATION OF RADIO EQUIPMENT	17
35. CLOSING OF AIRPORT FOR MAINTENANCE AND CONSTRUCTION	17
36. LAWS, RULES, REGULATIONS AND PERMITS	18
37. PERSONAL PROPERTY	18
38. NOTICES	18
39. LIENS	18
40. GENERAL PROVISIONS	18
EXHIBIT A	27
EXHIBIT B	1
EXHIBIT C	1

LEASE/CONCESSION AGREEMENT

(No. 5047)

670 Airport Drive, San Carlos (San Carlos Airport)

This is intended to be a legally binding contract

Read it carefully and consult an attorney.

1. PARTIES. This Lease and Concession Agreement ("Lease"), dated, for reference purposes only, this First day of July, 2004 is made by and between the COUNTY OF SAN MATEO, a political subdivision of the State of California ("Landlord" or "County") whose address is:

County of San Mateo
Real Property Division, County Manager's Office
455 County Center, 5th Floor
Redwood City, CA 94063

and SUNBOW INC., a California corporation, dba AIR WEST AIRCRAFT ENGINES ("Tenant") whose address is:

670 Airport Drive
San Carlos, CA 94070-2707

Both Parties agree as follows:

2. TERMS, COVENANTS AND CONDITIONS. This Lease is subject to the terms, covenants and conditions herein set forth. Each party covenants, as a material part of the consideration for this Lease, to keep and perform each and all of said terms, covenants and conditions which are to be performed, and that this Lease is made upon the condition of said performance.

3. PREMISES. Landlord does hereby lease to Tenant and Tenant hereby leases from Landlord that certain real property described as 670 Airport Drive, San Carlos, California, consisting of approximately 15,929 square feet of land improved with a building of approximately 8,893 square feet as shown on the attached Exhibit "A" ("Premises").

4. TERM. The term of this Lease shall commence on the date of delivery of a fully executed Lease and shall expire on the 30th day of June, 2009 unless extended as set forth in June, 2004

Lease No. 5047 - Air West Engines

Section 6 [Extension Option] hereof or otherwise terminated pursuant to the terms of this agreement.

5. MONTHLY RENTAL.

A. Base Rent: Tenant agrees to pay to Landlord as rental, without prior notice or demand, for the Premises the sum of Six Thousand Dollars (\$6,000.00) ("Base Rent") on or before the first day of the first full calendar month of the term hereof, and a Concession Fee as hereinafter set forth ("Percentage Rent"), and a like sum on or before the first day of each and every successive calendar month thereafter. The Base Rent shall be subject to periodic adjustment as set forth in Section 7 hereof.

B. Percentage Rent: In addition to the Base Rent set forth above, Tenant shall pay to Landlord the greater of Five Hundred Dollars (\$500.00) per month or an amount equal to One Percent (1%) of Gross Revenues as defined in Section 8 hereof. Percentage Rent shall be paid monthly on or before the first day of the second calendar month following the month for which the payment is due. (Example: Percentage Rent based on the Gross Revenues for July shall be payable on the first day of September together with the Base Rent for September.)

In addition to and concurrently with the monthly payments of Base Rent set forth in this section, Tenant shall pay an additional amount each month for the cost of utilities, which shall include gas, electricity, water and any other utility charges not billed separately to Tenant, as indicated in the Utilities section of this Lease.

Tenant shall, in addition to and concurrent with the monthly rent payments set forth in this section, furnish to County a written report of its business activities and Gross Revenues during the month for which Percentage Rent is paid on a form provided by County or approved by the Airport Manager.

Rent for any period during the term hereof which is for less than one (1) month shall be a prorated portion of the monthly installment herein on a per diem basis, based upon a thirty (30) day month. Said rental shall be paid to Landlord at:

County of San Mateo
Department of Public Works
Airports Division
620 Airport Drive
San Carlos, CA 94070

or to such other person or at such other place as Landlord may from time to time designate in writing.

6. EXTENSION OPTION. Tenant shall have the right to extend the Initial Term of this Lease (the "Extension Option") for one additional term of five years (the "Extended Term"). Such Extension Option shall be on all of the terms and conditions contained in this Lease except

that, at Landlord's election, the Base Rent may be adjusted to an amount equal to the Prevailing Market Rate as set forth below. Tenant may exercise the Extension Option, if at all, by giving written notice to Landlord no earlier than two hundred ten (210) and no later than one hundred eighty (180) days prior to expiration of the term to be extended; provided, however, if Tenant is in material default hereunder on the date of giving such notice and fails to cure such default as provided herein, Landlord may reject such exercise by delivering written notice thereof to Tenant promptly after such failure to cure.

At the commencement of the Extended Term, the Base Rent shall be adjusted as set forth in Section 7 (Cost-of-Living Rental Adjustments) hereof or, at the election of Landlord delivered to Tenant in writing within thirty days of receipt of Tenant's notice, shall be adjusted to the Prevailing Market Rate for space of comparable size and location to the Premises then being offered for rent in other buildings similar in age, location and quality to the Premises; provided, however, in no event shall the Base Rent be reduced below the Base Rent for the lease year prior to commencement of such Extended Term. As used herein, the term "Prevailing Market Rate" shall mean the base rental for such comparable space, taking into account (i) any additional rental and all other payments and escalations payable hereunder, (ii) location and size of the premises covered by leases of such comparable space, (iii) the duration of the renewal term and the term of such comparable leases, (iv) free rent given under such comparable leases and any other tenant concessions, and (v) tenant improvement allowances and other allowances given under such comparable leases.

If Tenant disputes Landlord's determination of the Prevailing Market Rate, Tenant shall so notify Landlord within fourteen (14) days following Landlord's notice to Tenant of the Prevailing Market Rate and such dispute shall be resolved as follows:

A. Within thirty (30) days following Landlord's notice to Tenant of the Prevailing Market Rate, Landlord and Tenant shall attempt in good faith to meet no less than two (2) times, at a mutually agreeable time and place, to attempt to resolve any such disagreement.

B. If within this thirty (30) day period Landlord and Tenant cannot reach agreement as to the Prevailing Market Rate, they shall each select one appraiser to determine the Prevailing Market Rate. Each such appraiser shall arrive at a determination of the Prevailing Market Rate and submit their conclusions to Landlord and Tenant within thirty (30) days of the expiration of the thirty (30) day consultation period described in (A) above.

C. If only one appraisal is submitted within the requisite time period, it shall be deemed to be the Prevailing Market Rate. If both appraisals are submitted within such time period, and if the two appraisals so submitted differ by less than ten percent (10%) of the higher of the two, then the average of the two shall be the Prevailing Market Rate. If the two appraisals differ by more than ten percent (10%) of the higher of the two, then the two appraisers shall immediately select a third appraiser who will, within thirty (30) days of his or her selection, make a determination of the Prevailing Market Rate and submit such determination to Landlord and Tenant. This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate.

D. All appraisers specified herein shall be members of the American Institute of Real Estate Appraisers (MAI) with not less than five (5) years' experience appraising leases of commercial properties similar to the Premises in the area. Landlord and Tenant shall pay the cost of the appraiser selected by such party and one-half of the cost of the third appraiser plus one-half of any other costs incurred in the arbitration.

7. COST-OF-LIVING RENTAL ADJUSTMENTS. On July 1 of each year of the term, the Base Rent as set forth in Section 5 [Monthly Rental] shall be adjusted as follows:

The Consumer Price Index for All Urban Consumers (base years 1982-1984 = 100) for the San Francisco-Oakland-San Jose area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"), which is published most immediately preceding the Adjustment Date (the "Adjustment Index"), shall be compared with the Index published most immediately preceding the Commencement Date (June) in the case of the first Adjustment Date (July 1, 2005) or, in the case of any subsequent Adjustment Date, the Index published most immediately preceding the prior Adjustment Date (the "Base Index").

If the Adjustment Index has increased over the Base Index, then the Base Rent payable on and after the Adjustment Date shall be set by multiplying the Base Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. In no event shall the monthly Base Rent on or after the Adjustment Date be less than the monthly Base Rent in effect for the last full month immediately prior to the Adjustment Date.

If the Index is changed so that the Base Year differs from that used as of the date most immediately preceding the Commencement Date, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the Term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

Formula:

$$\text{Base Rent} \times \frac{\text{Adjustment Index}}{\text{Base Index}} = \text{Adjusted Rent (new Base Rent)}$$

8. GROSS REVENUES. Gross revenues are defined to mean all gross charges, sales, rentals, fees and commissions made or earned, and all gross sums received, bartered, exchanged or earned by Tenant, its assignees, sublessees, licensees, and permittees, whether collected or accrued, for any business, use, or operation, or any combination thereof, originating, transacted or performed, in whole or in part, on the premises pursuant to this Agreement, including but not limited to flight training and charter activities, rentals, performance of maintenance and repairs, the rendition or supplying of services, and the sale of goods, wares and merchandise to anyone including employees subject to certain exceptions specifically set forth below ("Gross Revenues"). Gross Revenues shall include, but not be limited to, the total charge to the trainee for aircraft, instructors, overhead and profit, surcharges, and shall include sums received as

"flight club dues" or similar charges. In the case of aircraft rental or air taxi/charter, Gross Revenues shall include management fees related to scheduling maintenance, accounts receivable and accounts payable, scheduling cleaning, purchasing of equipment and all other related services.

Gross Revenues include those: (i) originating at the Premises, (ii) made by Tenant or Tenant's sales people or independent commissioned representatives utilizing the Premises as a point of contact, or by Tenant at the home or place of business of an employee or a customer, shall be considered as made and completed therein, even though bookkeeping and payment of the account may be transferred to another place for collection and even though actual filling of the sale or service order and actual delivery of the merchandise may be made from a place other than the Premises.

Gross Revenues shall not include:

A. Gratuities paid to service personnel in the form of tips;

B. Sales tax, income taxes of all kinds and excise taxes applicable thereto, required to be collected by Tenant, its assignees, sub-lessees, licensees or permittees, in connection with the rendition or supplying of services or the sales of goods, wares or merchandise;

C. Receipts from wholesale sales or parts and accessories wherein the resale permit number issued by the Board of Equalization of the State of California, is necessarily used for such sale. Records for out of state wholesale and resale parts and accessory sales are exempt and must be supported by accurate and detailed documentation records and/or receipts;

D. Any and all commissions paid for financing or discounts to be paid by Tenant to secure financing for any of the business conducted or sales of any kind or nature by Tenant;

E. Proceeds from the sale of capital equipment.

9. ACCOUNTS AND RECORDS. In order to make the payments required by Section 5, Tenant shall maintain locally a system of accounts, reports, statements and records satisfactory to County covering the transactions and operations under this agreement, which shall be preserved during the life of this Agreement and for twelve (12) months thereafter. In addition, County shall have the right to inspect and audit the books and records of Tenant from which the statement of gross receipts is prepared at any reasonable time upon request. Expenses of such audit shall be borne by County unless such examination shall disclose an additional amount owing to the Airport of greater than One Thousand (\$1,000.00) for any one year, in which event all costs of audit shall be paid by Tenant.

The County shall have the right to accept and apply on account any amount tendered by Tenant, as in full of all or any portion of additional rental without prejudicing County's right to recover the full correct amount after reduction by the amount so accepted and applied on account. Tenant hereby waives the right to insist upon any condition of any such tender that it be accepted in full, if at all.

If County's audit or examination shall reveal that Tenant has not paid the proper amount of additional fees, any increase of additional fees resulting from such audit shall be paid by Tenant within fifteen (15) days after Tenant has received a copy of such audit or examination.

If Tenant fails to prepare and deliver within the time specified any reports, statements or payments required by this section and sections 5 and 8 of this agreement, County may elect to treat Tenant's said failure as a substantial breach of this agreement entitling County to terminate this agreement, but only after County has given Tenant ten (10) days written notice to submit said statement or payment.

10. LATE CHARGES AND RETURNED CHECK CHARGE. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, administrative processing of delinquent notices and accounting charges. Accordingly, if any installment of rent or of a sum due from Tenant is not received by Landlord within ten (10) days after said amount is due, that payment shall be delinquent and Tenant shall pay to Landlord a late charge equal to one percent (1%) of the total balance due at that time or Fifty Dollars (\$50.00), whichever is greater. A late charge shall be applied for each month rent is delinquent. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant. Acceptance of late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

Tenant agrees to pay Landlord a special handling charge of Fifty Dollars (\$50.00) for any check dishonored by the bank for any reason. This charge shall be added to and become part of Tenant's obligations hereunder, and shall be in addition to any charge for late payment provided for herein. Tenant agrees to pay Landlord immediately upon request any and all charges for dishonored checks.

In the event any two payments are delinquent in a twelve-month period, Landlord shall require Tenant to make future payments quarterly in advance for a 24-month probationary period.

In calculating quarterly advance payments for leases, tenant shall add the regular monthly Base Rent and the regular monthly utility fees, and multiply by three.

In calculating advance payments for concessions, payment shall be made in the minimum monthly payment amount multiplied by three. Additionally, tenant shall provide a report of concessions activities and any additional fees as required by this agreement.

If Tenant fails to make any payments on time during the probationary period, Tenant shall be considered in default and may be subject to termination of lease and concession agreement by County.

11. USE. Tenant shall use the Premises exclusively for the purpose of aviation related activities including an aircraft and equipment repair and maintenance shop and for the purposes of airframe/power plant and radio repair. Tenant shall not use or permit the Premises to be used for any other purpose without the prior consent of Landlord.

Tenant shall not do or permit anything to be done in or about the Premises nor bring or keep anything therein which will in any way increase the existing rate of or affect any fire or other insurance upon the Premises or any of its contents, or cause cancellation of any insurance policy covering the Premises or any part thereof or any of its contents. Tenant shall not use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

12. USE OF AIRPORT FACILITIES. Landlord shall allow Tenant full use of all facilities on the Airport which are normally open to and usable by the public, subject to Airport rules and regulations. The right to use Airport facilities shall be non-exclusive and shall allow Tenant to use the runway, taxiways, loading and transient aprons, fueling facilities, parking areas and any other facilities as required, if they are normally furnished to the public. If Landlord normally receives payment for use of the facilities, Tenant shall pay Landlord in accordance with fees charged users of the facilities.

13. MOTOR VEHICLES/PARKING. Tenant shall ensure that its vehicles and those of its agents and customers are parked in areas and locations as approved by the County. Tenant shall have the non-exclusive use of the general parking areas of the Airport for the reasonable use of its employees, invitees, and other guests. All such parking shall be subject to the limitation, rules and regulations established from time to time by Landlord. No vehicle offered for sale by Tenant shall be parked or stored in the general parking areas of the Airport.

Camper trucks, trailers and/or other temporary living facilities may not be parked overnight in any area of the Airports without written authorization from the County. No overnight camping is permitted.

14. UTILITIES. Tenant shall be responsible for all utility costs associated with its operation including gas and electrical fees, garbage, phone, Internet access and any other utilities as needed. To the extent possible, Tenant is responsible for the coordination, installation, set-up, maintenance and repair of its utilities services. Landlord shall make reasonable effort to furnish to the Premises reasonable quantities of gas, water, sewer, electricity, and heating as required for Tenant's use of the Premises. Such utilities and services shall be furnished to the Premises at all times during the term, to the extent that they are available. *(What are the potential ramifications of these statements?)* Landlord shall not be required to construct new or additional utility installations, including, without limitation, wiring, plumbing, conduits and mains, resulting from Tenant's changed or increased utility requirements. In the event that Tenant requests or requires additional electrical outlets, increased electrical capacity and/or air-conditioning at the premises,

the work shall not be done without the prior written consent of Landlord and shall be at the Tenant's sole expense.

Tenant shall pay the County monthly fees for utility usage at its facility. Monthly utility fees shall be based on the average monthly usage over the course of a calendar year and shall be adjusted accordingly on an annual basis to accurately reflect actual usage and costs. Additionally, a yearly lump-sum payment or rebate will be calculated based on the actual usage and costs versus the total of monthly fees paid by the operator:

Total of Monthly Payments for Calendar Year – Actual Use and Costs = (+/-) Adjustment

Operator shall be invoiced for the annual adjustment amount if underpaid; or credited for the amount if overpaid. Invoiced payments for annual adjustments are due and payable upon receipt and shall incur late fees if not paid within 30 days.

15. JANITORIAL SERVICES. Tenant shall be responsible for arrangement of all Janitorial services at Tenant's expense.

16. ASSESSMENTS/TAXES. Tenant shall pay all federal, state and local taxes that are levied or required with respect to its employees, such as, but not limited to, social security and workers' compensation. As between Tenant and Landlord, Tenant shall be responsible for the payment of all sales or excise taxes on its operation. Tenant shall also be liable for any special assessments levied against the property. Tenant reserves the right to challenge any tax and special assessments.

Tenant shall pay, or cause to be paid, before delinquency, any and all taxes and assessments levied against Tenant's personal property in the Premises.

17. POSSESSORY INTEREST TAX. Tenant recognizes and understands in executing this Lease that its interest in the Premises created herein may be subject to a "possessory interest tax" that the County Assessor may impose on such interest, and any such tax would be the liability of and be paid solely by Tenant in addition to Rent and other charges due hereunder. Tenant agrees to pay promptly when due, any possessory interest tax imposed on its interest in the Premises.

18. MAINTENANCE AND REPAIRS.

A. All Maintenance and Repairs By Tenant: Throughout the term of this Lease, Tenant shall, at Tenant's sole expense, maintain the Premises and any improvements, equipment and other personal property thereon, in good sanitary order, condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of (1) federal, state, county, municipal or other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials; (2) the insurance underwriting board or insurance inspection bureau having or claiming jurisdiction; and (3) all insurance companies insuring all or any part of the Premises, or improvements,

equipment, and other personal property at the Premises. All repairs and maintenance shall be the sole duty of the Tenant and at the Tenant's sole expense.

No offensive or refuse matter, nor any substance constituting an unnecessary, unreasonable or unlawful fire hazard shall ever be permitted to accumulate or remain at the Premises. The Premises shall be kept at all times in an orderly manner to the complete satisfaction of Landlord.

Tenant shall, upon the expiration or termination of this Lease, surrender the Premises to Landlord in good condition, ordinary wear and tear and damage from causes beyond the reasonable control of Tenant excepted.

B. Structural Repairs By Landlord: Notwithstanding the provisions of Sub-Section A herein above, Landlord shall repair and maintain the structural portions of the Premises, specifically the roof, basic plumbing including fixtures, traps, drains and water heaters, (*What is considered basic plumbing? What are we "legally" responsible for?*) electrical systems and slab concrete installed or furnished by Landlord, unless such maintenance and repairs are caused in part or in whole by the act, neglect, fault or omission of any duty by Tenant, its agents, servants, employees or invites, in which case Tenant shall pay to Landlord the reasonable cost of such maintenance and repairs. Landlord shall not be liable for any failure to make any such repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after notice of the need of such repairs or maintenance is given to Landlord by Tenant.

19. TERMINATION. Either party shall have the option to terminate this Lease at anytime, at will and with or without cause by giving written notice to the other party at least six months in advance.

20. DAMAGE OR DESTRUCTION. If, during the term of this Lease, the improvements which are a part of the Premises and/or the building where the Premises are located are damaged from any cause, rendering the Premises totally or partially inaccessible or unusable, Landlord at its election, may either terminate this Lease or restore such improvements and/or building within a reasonable time and, if so restored, this Lease shall continue in full force and effect. If then existing laws do not permit restoration, either party may terminate this Lease immediately by giving notice to the other party.

In case of damage there shall be an abatement or reduction of rent, except any percentage rent (if any), between the date of the damage and the date of completion of restoration, based on the extent to which the damage interferes with Tenant's use of the Premises. If any damage to said improvements and/or building is due to the fault or neglect of Tenant, its agents, contractors, employees or invites, there shall not be an abatement or reduction of rent. Additionally, tenant shall be responsible for the cost of any required restoration or repairs.

Landlord shall not be required to restore or replace any panels, decoration, office fixtures, railings, floor covering, partitions, or any other property installed in the Premises by Tenant. Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of

the whole or any part of the Premises, Tenant's personal property, loss of revenue, or any inconvenience or annoyance occasioned by such damage or restoration.

21. SURRENDER OF PREMISES. At the expiration or earlier termination of this Lease, Tenant shall surrender to Landlord possession of the Premises, including all improvements constructed by Tenant. Tenant shall leave the surrendered Premises in good condition, except as may be specifically provided to the contrary in other provisions of this Lease. All property that Tenant is required to surrender shall become Landlord's property at the expiration or termination of this Lease. All property, including Tenant's personal property, that Tenant is not required to surrender but that Tenant abandons, shall, at Landlord's election, become Landlord's property at the expiration or termination of this Lease.

22. ENTRY BY LANDLORD. Landlord reserves and shall at any and all reasonable times, with the accompaniment by authorized County personnel, have the right to enter the Premises, upon reasonable notice to Tenant, inspect the same, supply any services to be provided by Landlord to Tenant hereunder, to show the Premises to prospective purchasers or tenants, to post notices of non-responsibility, and to alter, improve, repair or restore the Premises as Landlord may deem necessary or desirable, without abatement of rent. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Tenant's vaults, cabinets, safes and files, and Landlord shall have the right to use any and all means which Landlord may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property. Any entry to the Premises obtained by Landlord by any of said means, or otherwise shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into the Premises, or an eviction of Tenant from the Premises or any portion thereof.

23. RESERVATIONS. This Lease shall at all times be subject to such easements or rights-of-way for such sewers, pipe lines, conduits, and for such telephone, telegraph, light, heat or power lines, as shall have been duly established or as may from time to time be reasonably determined by Landlord.

This Lease is subsequent to and subject to all prior exceptions, reservations, grants, easements, leases or licenses of any kind whatsoever as the same appear on record in the office of the County Recorder, County of San Mateo, State of California, or in the official records of said County and of the various departments thereof. Tenant covenants not to disturb the quiet and peaceful enjoyment of any and all parties having any legal right, title, interest or privilege in and to the Premises and that the use of the Premises by Tenant shall at all times be conducted with proper regard for such rights, titles, interests and privileges.

It is specifically understood and agreed that any and all of the terms and conditions of this Lease are subordinate to all rights of the United States Government to use the Airport in times of war or national emergency.

24. CONSENT OF PARTIES. Whenever the consent, approval or permission of either party is required, that party shall not unreasonably delay or withhold such consent, approval or permission.

25. ALTERATIONS AND ADDITIONS. Tenant shall not make any structural or exterior alterations to the Premises without Landlord's prior written consent. Tenant, at its cost, shall have the right to make, with Landlord's consent, alterations to the interior of the Premises that Tenant requires in order to conduct its business on the Premises. Tenant shall not be required to obtain permission from Landlord to make minor, non-structural alterations to premises including interior painting, installation of display cases and cabinets, and installation of office equipment. In making any alterations, Tenant shall comply with the following:

A. Tenant shall submit reasonably detailed final plans and specifications and working drawings of the proposed alterations and the name of its contractor at least thirty (30) days before the date it intends to commence the alterations.

B. The alterations shall not be commenced until ten (10) days after Landlord has received notice from Tenant stating the date the installation of the alterations is to commence so that Landlord can post and record an appropriate notice of non-responsibility.

C. The alterations shall be approved by Landlord and all appropriate government agencies, and all applicable permits and authorizations shall be obtained before commencement of the alterations.

D. All alterations shall be completed with due diligence in compliance with the plans and specifications and working drawings and all applicable laws.

E. Any alterations made shall remain on and be surrendered with the Premises on expiration or termination of this Lease, except that Landlord can elect within thirty (30) days before the expiration of the term, or within ten (10) days after termination of the term, to require Tenant to remove any alterations that Tenant has made to the Premises. If Landlord so elects, Tenant at its cost shall restore the Premises to the condition designated by Landlord in its election, before the last day of the term, or within thirty (30) days after notice of election is given, whichever is later.

26. DEFAULT.

A. Default by Tenant. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant:

- (i) The vacating or abandonment of the Premises by Tenant. (Failure to use or occupy the Premises for fifteen (15) consecutive days shall be deemed a vacation or abandonment.)
- (ii) The failure by Tenant to make any payment of rental, or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of ten (10) days after notice thereof by Landlord to Tenant.
- (iii) The failure by Tenant to observe or perform any of the terms, covenants or

conditions of this Lease to be observed or performed by Tenant, other than described in Sub-sections (A (i)) and (A (ii)) hereinabove, where such failure shall continue for a period of thirty (30) days after notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default and breach is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default and breach if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion within ninety (90) days.

- (iv) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's personal property at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of a Tenant's personal property at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days.

B. Landlord's Remedies. In the event of any such default and breach by Tenant described hereinabove, Landlord may at any time thereafter:

- (i) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In the event Tenant shall have abandoned the Premises, Landlord shall have the option to either (1) take possession of the Premises and recover from Tenant the amount specified in this Section, or (2) proceed under the provisions of the following Sub-section (ii).
- (ii) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In such event Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.
- (iii) Pursue any other remedy now or hereafter available to Landlord under applicable laws and judicial decisions.

C. Default by Landlord. Landlord shall be in material default and breach of this Lease if it fails or refuses to perform any of the terms, covenants or conditions of this Lease that it is obligated to perform if the failure to perform is not cured within thirty (30) days after written notice of the default and breach has been given by Tenant to Landlord; provided, however, that if the default and breach of Landlord is such that more than thirty (30) days are reasonably required for its cure, then, Landlord shall not be deemed in default and breach if Landlord commences to

cure the default within thirty (30) days after the written notice and thereafter diligently prosecuted such cure to completion within ninety (90) days.

D. Tenant's Remedies. In the event of any such material default and breach by Landlord described hereinabove, Tenant may at any time thereafter: (a) Terminate this Lease with a written notice to Landlord and vacate the Premises on the date of termination; and/or (b) Pursue any other remedy now or hereafter available to Tenant under the applicable laws and judicial decisions.

E. California Law Notice Requirements. The notice requirements set forth in this Section modify and supersede the notice requirements of the unlawful detainer statutes of California.

27. INDEMNIFICATION AND INSURANCE.

A. Hold Harmless. Tenant shall at all times relieve, indemnify, protect and hold harmless, Landlord, its officers, agents, employees, and servants from all claims, suits, or actions of every name, kind, and description, brought for, or on account of injuries to or death of any person, including tenant, or damage to property of any kind whatsoever and to whomever belonging, that may in whole or in part arise from, or be caused by:

- (i) The operation, maintenance, use, or occupation of the Premises and defects on the property in which the County has no control;
- (ii) The acts or omissions of Tenant, its officers, agents, employees, servants, invitees or permittees; or
- (iii) The failure of Tenant, its officers, agents, employees, servants, invitees or permittees, to observe or abide by any of the terms, covenants and conditions of this Lease or any applicable federal, state, county or municipal law, rule, or regulation.
- (iv) Any other loss or cost, including but not limited to, the concurrent active or passive negligence of County, its officers, agents, employees, or servants resulting from the performance of any work required of Contractor or payments made pursuant to this Agreement, provided that this shall not apply to injuries or damage for which the County has been found in a court of competent jurisdiction to be solely liable by reason of its own negligence or willful misconduct.

The duty of Tenant to relieve, indemnify, protect and hold harmless, as set forth hereinabove, shall include the duty to defend as set forth in Section 2778 of the California Civil Code.

B. Fire legal Insurance. Tenant at its sole cost shall maintain fire legal insurance on the Premises with a limit of at least Fifty Thousand Dollars (\$50,000), with water damage and debris clean up provisions to be included. The insurance policy shall provide that any proceeds shall be made payable to Landlord.

C. Liability and Property Damage Insurance. Tenant at its cost shall maintain the following insurance with the following limits insuring against all liability of Tenant and its authorized representatives arising out of and in connection with Tenant's use or occupancy of the Premises:

- (i) Combined Public Liability and Property Damage with liability limits of not less than \$1,000,000; and
- (ii) Comprehensive Airport and Aircraft Liability coverage in the minimum amount of \$1,000,000 Combined Single Limit (CSL) Bodily Injury and Property Damage with a minimum sub-limit of \$100,000 each person. The policy shall include coverage for Owned, Non-Owned or Leased aircraft; and
- (iii) Commercial Automobile liability coverage for all Owned, Non-Owned and Hired automobiles in the minimum amount of \$1,000,000 each accident; and
- (iv) Hanger-Keepers coverage in the minimum amount \$100,000 each aircraft and \$300,000 each occurrence; and
- (v) Products and Completed Operations coverage in the minimum amount of \$1,000,000 each occurrence; and
- (vi) All public liability and property damage and insurance shall insure performance by Tenant of the Hold Harmless Sub-section of this Lease; and
- (vii) Landlord shall be named as "additionally insured" and the policy shall contain cross-liability endorsements; and
- (viii) All required insurance shall contain a Separation of Insureds or Severability of Interests provision; and
- (ix) The policy shall not be cancelled or non-renewed unless the County has received 30 days prior written notice. (Ten days prior notice in the event of cancellation for nonpayment of premium is acceptable). Written notice shall be sent to: County of San Mateo, Attn: Airport Manager, 620 Airport Drive, San Carlos, CA 94070.

D. Workers' Compensation and Employer's Liability Insurance. During the entire term of this Lease, Tenant shall have in effect Workers' Compensation coverage providing full statutory benefits and employer's liability in the minimum amount of \$1,000,000. In executing this Lease, Tenant makes the following certification:

I am aware of the provisions of Section 3700 of the California Labor Code which require every employer (1) to be insured against liability for Workers' Compensation or (2) to undertake self-insurance in accordance with the provisions of the Code. I will comply with such provisions.

E. Miscellaneous Insurance Provisions. Tenant shall pay the premiums for maintaining the insurance required hereinabove. All the insurance required under this Lease shall:

- (i) Be issued by insurance companies authorized to do business in the State of California, with a financial rating of at least an A V status as rated in the most recent edition of Best's Insurance Reports.
- (ii) Be issued as a primary policy.
- (iii) Contain an endorsement requiring thirty (30) days' notice from the insurance company to both parties before cancellation or change in the coverage, scope, or amount of any policy.
- (iv) Landlord shall be named as "additionally insured" on each policy.
- (v) Each policy shall contain cross-liability endorsements.

F. Certificate of Insurance. A certificate of insurance, together with evidence of payment of premium, shall be deposited with Landlord at the commencement of this Lease, and on renewal of the policy not less than twenty (20) days before expiration of each policy.

In the event Tenant fails to deliver the certificate of insurance verifying insurance coverage as required in this Section, Landlord shall have the option, after a ten (10) day notice to Tenant requesting a certificate, either (a) to terminate this Lease immediately thereafter with a notice to Tenant, or (b) to take out all or part of the required insurance and pay the premium thereon on behalf of Tenant. If Landlord opts to take out the insurance on behalf of Tenant, the cost of the premium paid by Landlord shall be deemed additional rent due and payable by Tenant with the next regular rent payment.

G. Increase in Coverage. Landlord reserves the right to require at any time that the required public liability and property damage insurance minimum coverage be increased in accordance with standard County of San Mateo Risk Management practice in effect at the time the increase is required. Tenant shall be given at thirty (30) days' notice of the required increase.

H. Fire and Extended Coverage Insurance (Landlord's Improvements). Tenant at its cost shall maintain on the improvements that are a part of the Premises a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least the replacement value of the improvements which are a part of the Premises. The insurance policy shall be issued in the names of Landlord and Tenant as their interests appear. The insurance policy shall provide that any proceeds shall be payable to Landlord.

I. Fire and Extended Coverage Insurance (Tenant's Improvements). Tenant shall secure, and shall maintain at all times during the term of this Lease, insurance against damage or destruction by fire, windstorm, riot or civil commotion on Tenant's improvements at the Premises in the full

amount of their replacement value, with such provision in the policies issued to cover the same, or in riders attached thereto, as shall provide for payment for losses thereunder sustained by Tenant; the proceeds of said policies to be held in trust by any reputable bank or trust company. Landlord shall release all proceeds from insurance policy.

28. HAZARDOUS MATERIALS ACTIVITY. Tenant may not store, handle or generate hazardous materials/waste/underground tanks on the property unless Tenant has completed and filed a San Mateo County Hazardous Materials Release Response Plan and Inventory ("Business Plan") with the San Mateo County Environmental Health Department.

Hazardous material means any material that, because of its quantity, concentration, or physical or chemical characteristics, poses a significant present or potential hazard to human health and safety or to the environment if released into the work place or the environment. Hazardous materials include, but are not limited to, hazardous substances, hazardous waste, and any material which a handler or the administering agency has a reasonable basis for believing that it would be injurious to the health and safety of persons or harmful to the environment if released into the work place or the environment. Examples of such hazardous materials are, but are not limited to: waste oil, solvents, gasoline and compressed gases.

If Tenant does store, handle or generate hazardous materials/waste, or operate an underground storage tank, Tenant must do so in compliance with all state and federal regulations regarding hazardous materials, including but not limited to, California Health and Safety Code, Chapters 6.5, Sections 25100-25249, California Code of Regulations Title 26 and Code of Federal Regulations Section 40 Parts 240-281. Tenant shall be in default hereunder in the event of Tenant's failure to (1) file the Business Plan, (2) follow the Business Plan, and (3) comply with applicable State and Federal statutes regarding the handling of hazardous materials/waste/underground tanks. In addition, County may exercise any rights applicable under State and Federal law, in regards to requiring Tenant to be responsible for disposal or removal of the hazardous materials/waste/underground tanks in a safe manner.

Subject to Section 21 herein, Landlord shall have the right to inspect the premises to ensure Tenant's compliance, and charge inspection fees, in accordance with applicable State and Federal statutes.

If Tenant does not intend to and will not store, handle hazardous materials/underground tanks or general hazardous waste, then Tenant must complete and file a "Hazardous Materials Negative Response Form" to that effect with the San Mateo County Environmental Health Department. If, at any time during the term of this Agreement, Tenant commences activity that would involve the handling, storage or generation of hazardous materials/waste/underground tanks, Tenant must follow the directives set forth above.

29. COMPLIANCE WITH SAN CARLOS AIRPORT RULES AND REGULATIONS AND FAA STANDARD PROVISIONS. Tenant agrees to abide by rules and regulations of San Carlos Airport applicable to the Premises and at all times to cooperate with County in its

operation and management of said airport. The regulations currently in effect are set forth in Chapter 2.140 of the County Ordinance Code. Tenant shall notify all users of its facilities of all applicable rules and regulations.

Tenant shall comply with the standard provisions for all leases of airport land promulgated by the Federal Aviation Administration, as set forth in the attached Exhibit "B", and as those provisions may be revised from time to time.

Tenant shall comply with Standards for Fixed Base Operators adopted from time to time by the Board of Supervisors affecting all operators on County Airports holding concessions similar to Tenant's. The standards currently in effect are set forth in County of San Mateo, Airport Business Operating Standards dated May, 1994. Tenant recognizes that it has full responsibility for meeting these Standards.

Tenant shall notify all users of its facilities and pilots of aircraft as to all applicable rules and regulations and require users and pilots to comply with them.

30. NON-ABROGATION OF UNITED STATES GOVERNMENT RIGHTS. The provisions of this Agreement in no way abrogate any rights vested in the United States of America relative to the airport as such rights exist between the United States of America and the County of San Mateo.

31. HOLDING OVER. If Tenant holds over after the expiration or earlier termination of the term hereof without the express written consent of Landlord, Tenant shall become a tenant at sufferance only, at the monthly rental rate of one hundred fifty per cent (150%) of the rent in effect upon the date of such expiration and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of monthly payments after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of this paragraph are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord hereunder or as otherwise provided by law.

32. ASSIGNMENT AND SUBLETTING. Tenant shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person (the employees, agents, servants and invitees of Tenant excepted) to occupy or use the Premises, or any portion thereof, without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld, and a consent to one assignment, subletting, occupation or use by any other person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Any such assignment or subletting without such consent shall be voidable, and shall, at the option of Landlord, constitute a default under this Lease.

Landlord hereby acknowledges that Tenant has entered a tentative agreement to sell its business, and agrees that Tenant may, without seeking further written consent as set forth hereinabove,

assign this Lease to the prospective purchaser, ?, provided that such assignment is completed by June 30, 2005. No such assignment shall modify the terms of this Lease, and Tenant, as assignor, shall remain primarily liable for all obligations of Tenant under this Lease. This consent does not constitute consent to any subsequent assignment, subletting, occupation or use by another person.

If Tenant is a corporation, any dissolution, merger, consolidation, or other reorganization of Tenant, or the sale or other transfer of a controlling percentage of the capital stock of Tenant, or the sale of at least 51 percent of the value of the assets of Tenant, shall be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least 10% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding, and entitled to vote for the election of directors. This paragraph shall not apply to corporations the stock of which is traded through an exchange or over the counter.

33. SAN MATEO COUNTY NO SMOKING ORDINANCE. Tenant is aware that the County of San Mateo has adopted an Ordinance (No. 03239) which prohibits smoking in all County facilities whether owned or leased. Tenant understands that said Ordinance authorizes County to enforce the provisions contained therein and Tenant agrees to enforce the provisions of said ordinance on the Premises.

34. OPERATION OF RADIO EQUIPMENT. Tenant shall not operate any radio equipment at the airport transmitting electronic signals which might interfere with operations of the Airport Control Tower, UNICOM, County Radios or other electronic transmissions essential to the operation of the airport.

35. CLOSING OF AIRPORT FOR MAINTENANCE AND CONSTRUCTION. Landlord may from time to time be required to close the runway and taxiways for purposes of necessary maintenance, repair or new construction. Landlord shall conduct these operations at a time and in a manner consistent with cost considerations so as to minimize the impact on Tenant's activities and shall furnish Tenant reasonable advance notice of any such work.

36. LAWS, RULES, REGULATIONS AND PERMITS. Tenant shall construct any improvements, use, maintain and occupy the Premises in compliance with all applicable laws, rules, and regulations. These include, but are not limited to, the provisions of any and all permits issued by the City of San Carlos for any improvements, any applicable laws, rules, and regulations of the City of San Carlos, and any applicable County, State or Federal ordinances, rules, policies, laws and regulations. Tenant is responsible for ascertaining the need for and obtaining all required permits, licenses, etc., for all of its activities on the Premises. The cost for all permits, licenses, etc., shall be borne solely by Tenant.

37. PERSONAL PROPERTY. Tenant's personal property shall include equipment, furniture, merchandise, and movable property placed in the Premises by Tenant, including trade fixtures.

Trade fixtures include any property installed in or on the Premises by Tenant for purposes of trade, manufacture, ornament, or related use.

38. NOTICES. Any notice, demand, request, consent, approval, waiver, or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid mail, and if given by mail shall be deemed sufficiently given when sent by registered or certified mail. Any notice, demand, request, consent, approval, waiver, or communication that either party desires or is required to give by mail to the other party shall be addressed to the other party at the address set forth in Section 1 (Parties) of this Lease. Either party may change its address by notifying the other party of the change of address. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this Section.

39. LIENS. Tenant shall keep the Premises, free from any liens arising out of the work performed, materials furnished or obligations incurred by Tenant.

40. GENERAL PROVISIONS COMPLIANCE WITH LAW. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant.

B. AUTHORITY OF PARTIES.

- (i) Corporate Authority. If either party hereto is a corporation, each party executing this Lease on behalf of the corporation represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance with a duly adopted Resolution of the Board of Directors of the corporation or in accordance with the By-Laws of the corporation, and that this Lease is binding upon the corporation in accordance with its terms.
- (ii) Partnership. If either party hereto is a partnership or other unincorporated association, each party executing this Lease on behalf of the partnership or other association represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the partnership or association, in accordance with the partnership agreement or the agreement of said association.

- (iii) Authorized Lease Representative of the County of San Mateo. The County Manager, or the designee of the County Manager, shall be the only authorized agent of the County of San Mateo for purposes of giving any notices or exercising any rights, options, privileges or obligations of the County of San Mateo under this Lease. This Lease shall not be valid unless executed by the President of the Board of Supervisors of the County of San Mateo pursuant to a Resolution adopted in accordance with the California Government Code.

C. OTHER TERMS. Clauses, plats, exhibits and riders, if any, initialed and dated by Landlord and Tenant and endorsed on or affixed to this Lease are a part hereof.

D. WAIVER. The waiver by either party of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

E. JOINT OBLIGATION. "Party" shall mean Landlord or Tenant; and if there be more than one Tenant or Landlord, the obligations hereunder imposed upon Tenants or Landlords shall be joint and several.

F. TIME. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor.

G. SUCCESSORS AND ASSIGNS. The terms, covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind the heirs, successors, executors, administrators and assigns of the parties hereto.

H. RECORDATION. Neither Landlord nor Tenant shall record this Lease.

I. QUIET POSSESSION. Upon Tenant paying the rent and other fees or charges reserved hereunder and observing and performing all of the terms, covenants and conditions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

J. PRIOR AGREEMENTS. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matters shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

K. INABILITY TO PERFORM. This Lease and the obligations of Tenant hereunder shall not be affected or impaired because Landlord is unable to fulfill any of its obligations hereunder

or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of Landlord.

L. NEGATION OF PARTNERSHIP. Landlord shall not become or be deemed a partner or a joint venturer with Tenant by reasons of the provisions of this Lease.

M. SALE OR TRANSFER OF PREMISES. In the event of any sale or transfer of the Premises by Landlord, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale or transfer; and the purchaser or transferee, at such sale or transfer or any subsequent sale or transfer of the Premises shall be deemed, without any further agreement between the parties or their successors in interest or between the parties or their successors in interest or between the parties and any such purchaser or transferee, to have assumed and agreed to carry out any and all of the covenants and obligations and agreed to carry out any and all of the covenants and obligations of Landlord under this lease.

N. NAME. Tenant shall not use the name of the Premises or of the development, building or facility in which the Premises may be situated for any purpose other than as an address of the business to be conducted by Tenant in the Premises.

O. CUMULATIVE REMEDIES. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

P. SIGNS AND AUCTIONS. Tenant shall not place any sign upon the Premises or conduct any auction thereon without Landlord's prior written consent.

Q. PROVISIONS, COVENANTS AND CONDITIONS. All provisions herein, whether covenants or conditions, on the part of either party shall be deemed to be both covenants and conditions.

R. CAPTIONS, TABLE OF CONTENTS. The captions and the Table of Contents of this Lease (if any) shall have no effect on the interpretation of this Lease.

S. PAYMENTS IN U.S. MONEY. Rent and all sums payable under this Lease must be paid in lawful money of the United States of America.

T. SINGULAR AND PLURAL. When required by the context of this Lease, the singular shall include the plural.

U. CHOICE OF LAW. This Lease shall be construed, interpreted and governed in accordance with the laws of the State of California.

V. VENUE. The Venue for any court action to interpret or enforce this agreement or to litigate any claim arising out of this agreement shall be had in State Court of the County of San Mateo.

TENANT

SUNBOW INC.,
dba AIR WEST AIRCRAFT ENGINES

By _____
Terence D. Medeiros

Title: _____

LANDLORD

COUNTY OF SAN MATEO

By _____
Mark Church
President, Board of Supervisors

Resolution No. _____

ATTEST: _____
Clerk of said Board

EXHIBIT "A"

DRAFT

EXHIBIT "B"

STANDARD PROVISIONS FOR ALL LEASES,
USE, AND OTHER AGREEMENTS AND PERMITS
SAN MATEO COUNTY AIRPORTS

1. Tenant for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree "as a covenant running with the land" that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease, agreement or permit for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
2. 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 that: (1) no person on the grounds of race, sex, sexual orientation, color, national origin, religion, age or disability shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the lands and 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, (3) that Tenant shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, CFR, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
3. In the event of breach of any of the above nondiscrimination covenants, Landlord may terminate the lease, agreement or permit and re-enter and repossess the land and the facilities thereon and hold them as if the lease, agreement or permit had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.
4. Tenant shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users and shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided that Tenant may make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

5. Non-compliance with Provision 4 above shall constitute a material breach of the lease, agreement or permit. In the event of such non-compliance, Landlord may terminate this lease, agreement or permit and the estate hereby created without liability thereof; or, at the election of Landlord or the United States either or both of these governments may judicially enforce the provision.
6. Landlord may further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of Tenant and without interference or hindrance.
7. Landlord may, 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. Landlord also may direct and control the activities of Tenant in this regard.
8. The lease, agreement or permit shall be subordinate to the provisions and requirements of any existing or future agreement between County and the United States relative to the development, operation or maintenance of the airport.
9. 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 covered by the lease, agreement or permit. This public right of flight shall include the right to cause in this airspace any noise inherent in the operation of any aircraft used for navigation of flight through the airspace or to land at, take off from or operate on the San Carlos or Half Moon Bay Airport, as the case may be.
10. Tenant shall comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations if future construction of a building is planned for the premises covered by the lease, agreement or permit or in the event of any planned modification or alteration of any present or future building or structure on the premises.
11. Tenant, by accepting this lease, agreement or permit, expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on any land leased that would be in conflict with the provisions of Part 77 of the Federal Aviation regulations. If these covenants are breached, County may enter upon the land and remove the offending structure or object and cut the offending tree, all of which shall be at Tenant's expense.
12. Tenant, by accepting this lease, agreement or permit, agrees for itself, its successors and assigns that it will not make use of the premises covered by the lease, agreement or permit in any manner which might interfere with the landing and taking off of aircraft from the airport or otherwise constitute a hazard. If this covenant is breached, County may enter upon the premises and cause the abatement of such interference at Tenant's expense.
13. Nothing contained in the lease, agreement or permit shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958 (49 U.S.C. 1349A).

14. The lease, agreement or permit and all its provisions 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 the airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.
15. Tenant will conduct its programs and operate its facilities in accordance with the requirements of the Americans with Disabilities Act of 1992 and will assure that no qualified disabled person shall, solely by reason of his or her disability be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination, including discrimination in employment. Tenant will conduct its programs and operate its facilities in compliance with all the requirements imposed by or pursuant to **49 CFR Part 27**.
16. Tenant shall insert the above provisions in any lease, agreement, contract, permit, etc., by which it grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises covered by the lease, agreement or permit, including any subleases, and hereby assures that the above provisions will be included in any agreement, contract, permit or further sub-lease granted or entered into by any sub-lessee of the Tenant.

DRAFT

EXHIBIT "C"
"SPECIAL REQUIREMENTS/CONDITIONS"
TO AIRPORTS LEASE/CONCESSION AGREEMENT WITH
SUNBOW INC. DBA AIRWEST AIRCRAFT ENGINES

1. SAFETY

Safety shall be paramount at all times. Operator shall ensure that its agents, employees and customers safely coordinate all movements and activities on the airport to the satisfaction of the County. Operator shall ensure that its operations and activities comply with local, state and federal requirements and are in accordance with safe and acceptable practices and procedures.

2. LICENSES AND CERTIFICATIONS

Operator shall obtain all required licenses, certifications and authorizations from all appropriate agencies for work performed and activities conducted under this permit.

3. TRAINING

Operator shall properly educate and train all agents, employees and customers regarding airport safety and operating procedures prior to allowing access onto the airfield.

4. COMPLIANCE WITH NOISE ABATEMENT

Operator shall to comply with all airport noise abatement procedures. Operator shall comply with all reasonable requests from the airport manager to address noise issues related to its flight operations including, but not limited to: flight procedures, flight routes, take-off and landing routes, engine break-in procedures and hours of operation.

5. PARKING

Operator shall ensure that its vehicles and those of its agents and customers are parked in areas and locations as approved by the County and are in compliance with Airport Parking Policies. No overnight parking is permitted.

Parking lots are provided for the general use of all airport users. Operator shall not control or restrict the use of the parking lot adjacent its facility to other airport tenants or users.

Camper trucks, trailers and/or other temporary living facilities may not be parked overnight in any area of the Airports without written authorization from the County. No overnight camping is permitted.

6. STORAGE OF EQUIPMENT, VEHICLES AND MATERIALS

Unless otherwise authorized herein, Operator shall not store equipment, vehicles, materials, pallets, boxes, etc. on the airport other than in designated storage areas or buildings as approved by the County.

7. REPAIRS

Operator shall repair, at its own expense, any and all damage to the property of the County or to the property of others on the Airport, and damage which has been caused by Operator, its agents or customers who may be on the Airport for any purpose connected with the Operator's business.

8. STORMWATER COMPLIANCE

The County has obtained a National Pollutant Discharge Elimination System ("NPDES") Permit from the Regional Water Quality Control Board, San Francisco Bay Region ("RWQCB"), regarding stormwater discharge from the Airport, which includes stormwater discharge and runoff from the Airport. Without limitation of any other obligation of Operator hereunder, Operator shall comply with all laws, rules, regulations, requirements, administrative orders and/or programs imposed upon Operator or County by the RWQCB or any other governmental entity, regarding runoff and stormwater discharge on the Airport. Operator shall pay any cost that County incurs to take any compliance action on the Airport as a result of Operator's failure to comply with such laws, regulations, requirements, administrative orders and/or programs. Operator shall also pay, to the extent caused by Operator's business on the Airport, County's costs to take any compliance action imposed upon County by the RWQCB or any other governmental entity.

9. DISCHARGE OF CONTAMINANTS

Operator, its agents and customers shall at no time discharge any hazardous material or substance onto the Airport. Waste oil and other contaminants shall be properly disposed of and at no time shall the Operator use the waste oil tanks the County has provided for the non-commercial use of airport tenants.

10. SECURITY/ACCESS

Airport security shall be maintained at all times. Operator shall take all reasonable steps to restrict unauthorized access onto airport property. All access and security procedures shall be coordinated with and approved by the County. Operator shall ensure that all gates it uses remain closed and locked at all times and that any mechanical problems with the gates are promptly reported to the County. Access codes shall only be provided with discretion to persons wishing to enter airport property. First-time visitors should be directed to the airport office for instructions and to receive access codes. Operator shall monitor and report any misuse of airport security codes immediately.

Customers, vendors and delivery vehicles shall follow the designated route from the E-1 vehicle gate; onto the levee road to the Operator's facility and return following the same route. Operator, its agents, employees and customers shall not enter, cross, or park on any runway or taxiway at any time. No vehicles entering airport property may exceed 12,500 lbs. Operator shall ensure that employees, customers and vendors understand and follow security and access regulations set forth by the county. County will refuse entrance to anyone in violation of said requirements.

Operator shall be authorized to use the "north access road" at San Carlos Airport during the course of business provided its vehicle(s) are marked and flagged as approved by the County and comply with airport procedures for operating on the access road.

11. SIGNAGE

No permanent banners or signs of any kind may be installed or displayed outside on the airport without the written approval of the County. All signage shall comply with applicable City and

County requirements. Signs and banners installed without the written approval of the County will be removed and disposed of.

12. HOUSEKEEPING

Operator shall collect and remove from the airport all debris, trash, garbage, or other rubbish generated by Operator, its agents or customers who may be on the Airport for any purpose connected with the Operator's operation. Operator shall ensure that tiedowns and other areas where business is conducted are kept as clean and orderly as is reasonably possible at all times. Equipment, parts and materials shall be removed from the area or replaced on the aircraft when not being worked on.

Operator shall regularly dispose of pallets, crates and other shipping supplies at its facility. Operator shall not dump waste or refuse on airport property or in facilities leased by another operator or vendor.

13. TRASH REMOVAL AND DUMPSTERS

Operator shall make arrangement for all trash removal related to its operation at operator's own expense. Operator shall ensure that all vendors entering onto airport property in connection with its operation are in compliance with airport regulations, including entry and security policies. Operator shall be liable for all damage caused by its vendors entering onto airport property and any necessary repairs shall be done at the Operator's sole expense. Dumpsters and other trash receptacles may not block or obstruct in any-way hangars or taxiways.

14. AIRCRAFT WASHING

Operator shall not wash aircraft at any location other than the airport washrack. Use of the washrack under this permit shall be limited to those aircraft for which maintenance has been performed. Washing or cleaning any automobile, boat, trailer, or any other type of vehicle at the washrack or on airport property is prohibited.

All engine and equipment washing must be performed at airport washracks only. Operator may wash engines and equipment on their premises if done in a manner compliant with all Airport Stormwater Compliance regulations, including the recovery of 100% of the cleansers and runoff material.

15. OPERATIONS

The County shall approve all operations and activities. Operator shall take all reasonable steps to ensure that its operations and activities create minimal impact and inconvenience to the airport and other airport users. Work areas shall be limited to authorized areas as outlined in Exhibit "A", unless otherwise specified by the airport manager. No work shall be performed outside of the designated area. Operator shall not block or obstruct taxiways, roads or access routes at any time.

Run-ups and "high-speed-idles" are allowed only in designated run-up areas or as approved by the Airport Manager. Run-ups are strictly prohibited in all other areas including maintenance areas, aircraft parking areas and taxiways.

16. TIE-DOWNS

Operator shall obtain and pay for aircraft tiedowns, independent of this agreement. The cost of aircraft tiedowns shall be in addition to the fees set forth in the Agreement and are subject to periodic increases as determined by the County. Location of the tiedown(s) selected by the Operator shall be approved by the County. Operator agrees to relocate its aircraft to alternate tiedown locations at any time at the request of the airport manager.

No equipment or items of any kind other than the aircraft assigned to the tiedown shall be stored at tiedown locations. Changes, additions or improvements to tiedown areas, parking areas or environs shall be done so at the Operator's sole expense and only after obtaining the prior and specific written consent of the County.

It is the Operator's sole responsibility for ensuring that aircraft under its control are securely tied down.

17. UTILITIES

Operator is responsible for all utility costs associated with operating its business, including but not limited to: gas and electrical fees, garbage, phone, Internet access and any other utilities as needed.

Electrical and water charges shall be based on an average of monthly usage as recorded by Landlord on an annual basis using meters at Premise.

Operator shall make all other utility fees, directly to and in arrangement with utility provider.

18. MAINTENANCE

Operator shall be responsible for all maintenance and repair of its leased premises and property unless otherwise stated herein. Operator shall be responsible for exterior maintenance including, but not limited to; landscaping, painting and signage; interior maintenance, including, but not limited to; plumbing, electrical, carpet, flooring, painting, and structural modifications made by Operator; and all janitorial and general upkeep. Operator shall also be responsible for pest control and extermination.

County shall be responsible for repairs to the outside roof and structure of the premises and repairs to the main sewer, water and power services outside of the service connections.

19. FIRE SPRINKLER AND EMERGENCY EQUIPMENT

Operator shall provide and maintain all fire sprinkler systems, fire extinguishers, smoke detectors and other emergency equipment in accordance with local fire and building codes, regulations, etc.

Initial _____