

CONCESSION AGREEMENT

(No. 5306)

SAN CARLOS AIRPORT

ATP-PACIFIC INC. dba BEL-AIR INTERNATIONAL

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CONCESSION AGREEMENT

(No. 5306)

795 Skyway, San Carlos
San Carlos Airport

This is intended to be a legally binding contract

Read it carefully and consult an attorney.

1. **PARTIES.** This Concession Agreement ("Concession"), dated, for reference purposes only, this Ninth day of August, 2005 is made by and between the COUNTY OF SAN MATEO, a political subdivision of the State of California ("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 ATP-PACIFIC, INC., a California corporation, dba BEL-AIR INTERNATIONAL ("Operator") whose address is:

795 Skyway
San Carlos, CA 94070

Both Parties agree as follows:

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

3. **PREMISES.** It is hereby acknowledged that Operator subleases from Fairmount Industries, Inc. a portion of that certain real property leased by County to Fairmount Industries, Inc. pursuant to Lease No. 5063, ("Premises"), which Premises is a portion of San Carlos Airport ("Property"). Except as specifically set forth herein, all rights and obligations in relation to the Premises in which the Operator conducts business under this Concession shall be as set forth in such sublease by and between Operator and Fairmount Industries, Inc., and neither Operator nor County shall have further rights, obligations or liability in respect to the Premises as a result of this Concession Agreement. In the event of a conflict between the terms of the Sublease and those of this Concession, the County may, at its sole discretion, determine which provision shall prevail.

4. TERM. The term of this Concession shall commence on the date of delivery of a fully executed Concession and shall expire on the 30th day of May, 2006.

5. CONCESSION FEES. Without prior notice or demand, Operator shall pay to County the greater of One Thousand Dollars (\$1,000.00) per month ("Minimum Fee") or an amount equal to One Percent (1%) of Gross Revenues as defined in Section 6 [Gross Revenues] hereof ("Percentage Fee"). In addition, Operator shall pay to County a fee of \$100 per aircraft sold ("Aircraft Fee"). The Aircraft Fee shall be due and payable in the month immediately following the date on which the sale is completed. The Minimum Fee shall be paid monthly on or before the first day of each month. Any amount by which the Percentage Fee exceeds the Minimum Fee shall be paid monthly on or before the first day of the first calendar month following the month for which the payment is due. (Example: Percentage Fee based on the Gross Revenues for July shall be due and payable on the first day of August together with the Minimum Fee for August.)

Operator shall, in addition to and concurrent with the Percentage Fee 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 Fee is paid on a form provided by County or approved by the Airport Manager. If for any reason, Percentage Fee income information is not available by the first day of the following month, Operator may estimate and provide the income information and make payment based upon historical percentages, so indicating on the reporting form. Operator shall provide the corrected actual income information and any payment adjustments together with the following month's rent payment

A. Payment of Minimum Fee: The Minimum Fee 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 fee shall be paid to County 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 County may from time to time designate in writing.

B. Interest on Late Payment: Any Fee, if not paid within ten (10) days following the due date, shall incur late fees as set forth in Section 8 hereof, and shall bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate an individual is permitted to charge under law (the "Interest Rate"). However, interest shall not be payable on late charges incurred by Operator as set forth in Section 8 [Late Charges And Returned Check Charge] hereof, nor on any amounts on which late charges are

paid by Operator to the extent this interest would cause the total interest to be in excess of that which an individual is lawfully permitted to charge. Payment of interest shall not excuse or cure any default by Operator.

C. Remedies for Late Payments: In the event any two payments for concession, lease or other fees are delinquent in a twelve-month period, County shall require Operator to make all future payments to the County quarterly and in advance for a 24-month probationary period. In calculating advance payments for concession fees, payment shall be made in the minimum monthly payment amount multiplied by three. Additionally, Operator shall provide, by the tenth day of each month, a report of concession activities for the previous month and any additional fees as required by this Agreement. If Operator fails to make any quarterly or subsequent payments or provide the required reports on time during the probationary period, Operator shall be considered in default of its agreement(s) and be subject to any and all remedies available to the County at law, or equity or under this agreement up to and including the immediate termination of its lease and concession agreements.

D. Minimum Fees: The minimum payments, percentage of gross receipts, and any and all other fees specified in this Agreement, including the late charge, may be revised by increase or decrease at any time throughout the term of the Agreement by the County Board of Supervisors by resolution applicable to all like concession agreements at County Airports. Any changes shall become effective after reasonable advance notice. County shall give operators reasonable notice of its intent to make changes in the fee structure and shall inform them as to the time the matter will be considered by the Board of Supervisors. Operator may terminate this Agreement in accordance with Section 23 below if the Board of Supervisors raises fees to a level unacceptable to Operator. Under these conditions, Operator shall be liable only for the fees due up to date of termination.

6. 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 Operator, 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 air taxi/charter activities, aircraft rentals, performance of maintenance and repairs, the rendition or supplying of services, and the sale of goods, wares, parts, accessories, engines 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, and 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 Operator or Operator's sales people or independent commissioned representatives utilizing the Premises as a point of contact, or by Operator 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. For the purpose of Charter or Scenic flight trips, Gross Revenues shall include and be limited to trips originating from or coming to the San Carlos Airport, including subsequent legs of the same trip.

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 Operator, 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. Any and all commissions paid for financing or discounts to be paid by Operator to secure financing for any of the business conducted or sales of any kind or nature by Operator;
- D. Proceeds from the sale of capital equipment.

7. ACCOUNTS AND RECORDS. In order to make Percentage Fee payments, Operator 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 three (3) years thereafter. In addition, County shall have the right to inspect and audit the books and records of Operator 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 Operator.

The County shall have the right to accept and apply on account any amount tendered by Operator, 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. Operator 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 Operator has not paid the proper amount of additional fees, any increase of additional fees resulting from such audit shall be paid by Operator within fifteen (15) days after Operator has received a copy of such audit or examination, together with interest on such amount at the Interest Rate set forth in Section 5 [Concession Fees] hereof from the date on which such amount was due and payable.

If Operator fails to prepare and deliver within the time specified any reports, statements or payments required by this Section and Sections 5 and 6 of this Concession, County may elect to treat Operator's said failure as a substantial breach of this Concession entitling County to

terminate this Concession, but only after County has given Operator ten (10) days written notice to submit said statement or payment.

8. LATE CHARGES AND RETURNED CHECK CHARGE. Operator hereby acknowledges that late payment by Operator to County of fees or other sums due hereunder will cause County to incur costs not contemplated by this Concession, 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 fees or of a sum due from Operator is not received by County within ten (10) days after said amount is due, that payment shall be delinquent and Operator shall pay to County, in addition to interest as set forth in Section 5 hereof, a late charge equal to six percent (6%) 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 fees are delinquent. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that County will incur by reason of the late payment by Operator. Acceptance of late charges by County shall in no event constitute a waiver of Operator's default with respect to such overdue amount, nor prevent County from exercising any of the other rights and remedies granted hereunder.

Operator agrees to pay County 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 Operator's obligations hereunder, and shall be in addition to any charge for late payment provided for herein. Operator agrees to pay County immediately upon request any and all charges for dishonored checks.

In the event any two payments are delinquent in a twelve-month period, County shall require Operator to make future payments quarterly in advance for a 24-month probationary period. In calculating advance payments for Percentage Fee, payment shall be made in the minimum monthly payment amount multiplied by three. Additionally, tenant shall provide a report of concession activities and any additional fees as required by this agreement.

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

9. USE. Operator shall use the Premises exclusively for the purpose of aviation related activities including flight training and air taxi/charter activities, aircraft rentals, performance of maintenance and repairs, the rendition or supplying of services, and the sale of goods, wares, parts, accessories, engines and merchandise. Operator shall not use or permit the Premises to be used for any other purpose without the prior consent of County.

Operator 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. Operator shall not use or allow

the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Operator cause, maintain or permit any nuisance in, on or about the Premises. Operator shall not commit or suffer to be committed any waste in or upon the Premises.

10. USE OF AIRPORT FACILITIES. County shall allow Operator 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 Operator 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 County normally receives payment for use of the facilities, Operator shall pay County in accordance with fees charged users of the facilities.

11. MOTOR VEHICLES/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. Operator 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 County. No vehicle offered for sale by Operator 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.

12. UTILITIES. County shall not be required to construct new or additional utility installations, including, without limitation, wiring, plumbing, conduits and mains, resulting from Operator's changed or increased utility requirements. In the event that Operator 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 County and shall be at the Operator's sole expense.

13. NOT USED

14. ASSESSMENTS/TAXES. Operator 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 Operator and County, Operator shall be responsible for the payment of all sales or excise taxes on its operation. Operator shall also be liable for any special assessments levied against Operator's property. Operator reserves the right to challenge any tax and special assessments.

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

15. POSSESSORY INTEREST TAX. Operator recognizes and understands in executing this Concession that its interest 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 Operator in addition to Fees and other charges due hereunder. Operator agrees to pay promptly when due, any possessory interest tax imposed on its interest.

16. MAINTENANCE AND REPAIRS.

Throughout the term of this Concession, Operator shall, at Operator's sole expense, maintain the Premises and any improvements, building systems (including plumbing and electrical systems within the Premises, except as specifically set forth as County's responsibility in Section 16B), 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 Operator and at the Operator'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 County.

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

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

18. DAMAGE OR DESTRUCTION. If, during the term of this Concession, 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, County at its election, may either terminate this Concession or restore such improvements and/or building within a reasonable time and, if so restored, this Concession shall continue in full force and effect. If then existing laws do not permit restoration, either party may terminate this Concession immediately by giving notice to the other party.

In case of damage there shall be an abatement or reduction of fees, except any percentage fees (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 Operator's use of the Premises. If any damage to said improvements and/or building is due to the fault or neglect of Operator, its agents, contractors, employees or invites, there shall not be an abatement or reduction of fees. Additionally, tenant shall be responsible for the cost of any required restoration or repairs.

County 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 Operator. Operator shall not be entitled to any compensation or damages from County for loss of the use of the whole or any part of the Premises, Operator's personal property, loss of revenue, or any inconvenience or annoyance occasioned by such damage or restoration.

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

20. ENTRY BY LANDLORD. County 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 Operator, inspect the same, supply any services to be provided by County to Operator 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 County may deem necessary or desirable, without abatement of fees. For each of the aforesaid purposes, County shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises, excluding Operator's vaults, cabinets, safes and files, and County shall have the right to use any and all means which County may deem proper to open said doors in an emergency, in order to obtain entry to the Premises without liability to Operator except for any failure to exercise due care for Operator's property. Any entry to the Premises obtained by County 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 Operator from the Premises or any portion thereof.

21. RESERVATIONS. This Concession 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 County.

This Concession 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. Operator 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 Operator 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 Concession are subordinate to all rights of the United States Government to use the Airport in times of war or national emergency.

22. 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.

23. ALTERATIONS AND ADDITIONS. Operator shall not make any structural or exterior alterations to the Premises without County's prior written consent. Operator, at its cost, shall have the right to make, with County's consent, alterations to the interior of the Premises that Operator requires in order to conduct its business on the Premises. Operator shall not be required to obtain permission from County 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, Operator shall comply with the following:

A. Operator 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 County has received notice from Operator stating the date the installation of the alterations is to commence so that County can post and record an appropriate notice of non-responsibility.

C. The alterations shall be approved by County 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 Concession, except that County can elect within thirty (30) days before the expiration of the term, or within ten (10) days after termination of the term, to require Operator to remove any alterations that Operator has made to the Premises. If County so elects, Operator at its cost shall restore the Premises to the condition designated by County in its election, before the last day of the term, or within thirty (30) days after notice of election is given, whichever is later.

24. DEFAULT.

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

- (i) The vacating or abandonment of the Premises by Operator. (Failure to use or occupy the Premises for fifteen (15) consecutive days shall be deemed a vacation or abandonment.)

- (ii) The failure by Operator to make any payment of fees, or any other payment required to be made by Operator hereunder, as and when due, where such failure shall continue for a period of ten (10) days after notice thereof by County to Operator.
- (iii) The failure by Operator to observe or perform any of the terms, covenants or conditions of this Concession to be observed or performed by Operator, 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 County to Operator; provided, however, that if the nature of Operator's default and breach is such that more than thirty (30) days are reasonably required for its cure, then Operator shall not be deemed to be in default and breach if Operator 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 Operator of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Operator of a petition to have Operator 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 Operator, the same is dismissed within sixty (60) days); or the appointment of a trustee or a receiver to take possession of substantially all of Operator's personal property at the Premises or of Operator's interest in this Concession, where possession is not restored to Operator within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of a Operator's personal property at the Premises or of Operator's interest in this Concession, where such seizure is not discharged within thirty (30) days.

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

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

C. Default by County. County shall be in material default and breach of this Concession if it fails or refuses to perform any of the terms, covenants or conditions of this Concession 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 Operator to County; provided, however, that if the default and breach of County is such that more than thirty (30) days are reasonably required for its cure, then, County shall not be deemed in default and breach if County 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. Operator's Remedies. In the event of any such material default and breach by County described hereinabove, Operator may at any time thereafter: (a) Terminate this Concession with a written notice to County and vacate the Premises on the date of termination; and/or (b) Pursue any other remedy now or hereafter available to Operator 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.

25. INDEMNIFICATION AND INSURANCE.

A. Hold Harmless. Operator shall at all times relieve, indemnify, protect and hold harmless, County, 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 Operator, its officers, agents, employees, servants, invitees or permittees; or
- (iii) The failure of Operator, its officers, agents, employees, servants, invitees or permittees, to observe or abide by any of the terms, covenants and conditions of this Concession 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 Operator 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. Operator 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 County.

C. Liability and Property Damage Insurance. Operator at its cost shall maintain the following insurance with the following limits insuring against all liability of Operator and its authorized representatives arising out of and in connection with Operator'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 Operator of the Hold Harmless Sub-section of this Concession; and
- (vii) County 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 Concession, Operator 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 Concession, Operator 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. Operator shall pay the premiums for maintaining the insurance required hereinabove. All the insurance required under this Concession 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) County 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 County at the commencement of this Concession, and on renewal of the policy not less than twenty (20) days before expiration of each policy.

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

G. Increase in Coverage. County 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. Operator shall be given at thirty (30) days' notice of the required increase.

H. Fire and Extended Coverage Insurance (County's Improvements). Operator 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 County and Operator as their interests appear. The insurance policy shall provide that any proceeds shall be payable to County.

I. Fire and Extended Coverage Insurance (Operator's Improvements) Operator shall secure, and shall maintain at all times during the term of this Concession, insurance against damage or

destruction by fire, windstorm, riot or civil commotion on Operator'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 Operator; the proceeds of said policies to be held in trust by any reputable bank or trust company. County shall release all proceeds from insurance policy.

26. HAZARDOUS MATERIALS ACTIVITY. Operator may not store, handle or generate hazardous materials/waste/underground tanks on the property unless Operator 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 Operator does store, handle or generate hazardous materials/waste, or operate an underground storage tank, Operator 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. Operator shall be in default hereunder in the event of Operator'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 Operator to be responsible for disposal or removal of the hazardous materials/waste/underground tanks in a safe manner.

Subject to Section 19 herein, County shall have the right to inspect the Premises to ensure Operator's compliance, and charge inspection fees, in accordance with applicable State and Federal statutes.

If Operator does not intend to and will not store, handle hazardous materials/underground tanks or general hazardous waste, then Operator 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, Operator commences activity that would involve the handling, storage or generation of hazardous materials/waste/underground tanks, Operator must follow the directives set forth above.

27. COMPLIANCE WITH SAN CARLOS AIRPORT RULES AND REGULATIONS AND FAA STANDARD PROVISIONS. Operator 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. Operator shall notify all users of its facilities of all applicable rules and regulations.

Operator 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.

Operator 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 Operator's. The standards currently in effect are set forth in County of San Mateo, Airport Business Operating Standards dated May, 1994. Operator recognizes that it has full responsibility for meeting these Standards.

Operator 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.

28. 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.

29. HOLDING OVER. If Operator holds over after the expiration or earlier termination of the term hereof without the express written consent of County, Operator shall become a tenant at sufferance only, at the monthly rental rate of one hundred fifty per cent (150%) of the fees in effect upon the date of such expiration and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by County 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 County's right of re-entry or any other rights of County hereunder or as otherwise provided by law.

30. ASSIGNMENT AND SUBLETTING. Operator shall not, either voluntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or encumber this Concession 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 Operator excepted) to occupy or use the Premises, or any portion thereof, without the written consent of County 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 County, constitute a default under this Concession.

If Operator is a corporation, any dissolution, merger, consolidation, or other reorganization of Operator, or the sale or other transfer of a controlling percentage of the capital stock of Operator, or the sale of at least 51 percent of the value of the assets of Operator, 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 Operator'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.

31. SAN MATEO COUNTY NO SMOKING ORDINANCE. Operator 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. Operator understands that said Ordinance authorizes County to enforce the provisions contained therein and Operator agrees to enforce the provisions of said ordinance on the Premises.

32. OPERATION OF RADIO EQUIPMENT. Operator 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.

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

34. LAWS, RULES, REGULATIONS AND PERMITS. Operator 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. Operator 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 Operator.

35. PERSONAL PROPERTY. Operator's personal property shall include equipment, furniture, merchandise, and movable property placed in the Premises by Operator, including trade fixtures. Trade fixtures include any property installed in or on the Premises by Operator for purposes of trade, manufacture, ornament, or related use.

36. 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 Concession. 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.

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

38. GENERAL PROVISIONS.COMPLIANCE WITH LAW. Operator 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. Operator 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 Operator in any action against Operator, whether County be a party thereto or not, that Operator has violated any law, statute, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between County and Operator.

B. AUTHORITY OF PARTIES.

- (i) Corporate Authority. If either party hereto is a corporation, each party executing this Concession on behalf of the corporation represents and warrants that he or she is duly authorized to execute and deliver this Concession 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 Concession 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 Concession on behalf of the partnership or other association represents and warrants that he or she is duly authorized to execute and deliver this Concession on behalf of the partnership or association, in accordance with the partnership agreement or the agreement of said association.
- (iii) Authorized Concession 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 Concession. This Concession 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 County and Operator and endorsed on or affixed to this Concession 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 fees hereunder by County shall not be deemed to be a waiver of any preceding breach by Operator of any term, covenant or condition of this Concession, other than the failure of the Operator to pay the particular fees so accepted, regardless of County's knowledge of such preceding breach at the time of the acceptance of such fees.

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

F. TIME. Time is of the essence of this Concession 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 County nor Operator shall record this Concession.

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

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

K. INABILITY TO PERFORM. This Concession and the obligations of Operator hereunder shall not be affected or impaired because County 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 County.

L. NEGATION OF PARTNERSHIP. County shall not become or be deemed a partner or a joint venturer with Operator by reasons of the provisions of this Concession.

M. SALE OR TRANSFER OF PREMISES. In the event of any sale or transfer of the Premises by County, County 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 Concession 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 County under this lease.

N. NAME. Operator 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 Operator 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. Operator shall not place any sign upon the Premises or conduct any auction thereon without County'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 Concession (if any) shall have no effect on the interpretation of this Concession.

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

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


U. CHOICE OF LAW. This Concession 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.

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TENANT

ATP-PACIFIC, INC.,
dba BEL-AIR INTERNATIONAL

By 
Alex Alabed, President

LANDLORD

COUNTY OF SAN MATEO

By _____
Richard S. Gordon
President, Board of Supervisors

Resolution No. _____

ATTEST: _____
Clerk of said Board

EXHIBIT A
SITE PLAN OF PREMISES
NOT USED

EXHIBIT B

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

1. Operator 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, Operator 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. Operator 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 Operator 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, County 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. Operator 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 Operator 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, County may terminate this lease, agreement or permit and the estate hereby created without liability thereof; or, at the election of County or the United States either or both of these governments may judicially enforce the provision.
6. County may further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of Operator and without interference or hindrance.
7. County may, but shall not be obligated to Operator to, maintain and keep in repair the landing area of the airport and all publicly owned facilities of the airport. County also may direct and control the activities of Operator 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 County, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the premises 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. Operator 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. Operator, 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 Operator's expense.
12. Operator, 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 Operator'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. Operator 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. Operator will conduct its programs and operate its facilities in compliance with all the requirements imposed by or pursuant to **49 CFR Part 27**.
16. Operator 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 Operator.

EXHIBIT C
SPECIAL REQUIREMENTS/CONDITIONS
TO AIRPORTS CONCESSION AGREEMENT WITH ATP PACIFIC DBA BEL AIR
INTERNATIONAL

In the event of any conflict between any provision of the Concession and this Exhibit C, the Concession provision shall prevail.

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 the 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.

Operator shall provide in writing to the County the names and descriptions of all commercial businesses and activities being conducted on the airport by the Operator under its agreement with

the County. Operator shall ensure the commercial activities of its tenants, sub-lessees, assignees, licensees or permittees on the airport are being conducted under, and in compliance with, its agreement with the County; or that those commercial operators obtain a separate concession agreement from the County prior to conducting business activities on the airport. Commercial activities include but are not limited to: aircraft flight instruction or rental activities, air taxi or charter operations, aircraft servicing or maintenance and aircraft sales.

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.

County agrees to lease to Operator aircraft tiedowns in the "Juliet" aircraft parking area on an as-available basis. Charges for tiedowns shall be at the rate established and periodically amended by the County Board of Supervisors. Changes to the number or location of aircraft tiedown(s) shall be permitted on no more than two occasions during any 12-month period. The term for tiedowns rented by the Operator shall be for a minimum of 90 days. Operator shall provide 30-days advance written notice for the cancellation of any tiedown space(s) under this agreement. Operator shall ensure that cancelled tiedowns are vacant on the date they revert to the County and shall be responsible for the removal of any aircraft remaining on the tiedown(s) and payment of daily transient fees until the tiedown is vacated.

Aircraft shall be parked on the assigned tiedown space or leased apron areas at all times. Aircraft owned, operated or under the control or auspices of Operator shall at no time be parked so as to obstruct any taxiway, hangar, tiedown or thoroughfare, including access roads and vehicle gates. In the event the Operator fails to immediately move or relocate aircraft blocking any such areas, the County shall have the right to move or relocate the aircraft or hire qualified personnel to have the aircraft moved or relocated and bill the Operator for all expenses related to such action. Additionally, Operator shall be assessed the daily transient parking fee for any aircraft owned, operated or under the control or auspices of Operator parked so as to obstruct any taxiway, hangar, tiedown or thoroughfare, including access roads and vehicle gates at any time. Failure to pay these fees within 30-days shall constitute default by Operator and result in the termination of the concession agreement by County.

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

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