

AIRPORT GROUND LEASE AGREEMENT

This Ground Lease Agreement made and entered into this ___ day of _____ 202_ by and between the City of Visalia, a Municipal Corporation of the State of California, hereinafter referred to as “LESSOR” and AMS, Inc, a California Corporation, hereinafter referred to as “LESSEE”.

For and in consideration of the payment of rent, taxes, and other charges and of performance of the covenants and conditions hereinafter set forth, LESSOR hereby Leases to LESSEE the real property located at the Visalia Municipal Airport and situated in the City of Visalia, County of Tulare, State of California, more particularly and legally described as set forth in Exhibit “A” attached hereto and made a part hereof.

1. DEMISED PREMISES

A. Definition - Except as expressly provided to the contrary in this Lease, reference to “Demised Premises” is to the described land plus any described appurtenances, including any improvements (including LESSEE’s improvements), now or hereafter located on the Demised Premises, without regard to whether ownership of the improvements is in the LESSOR or in the LESSEE.

B. Description - The Demised Premises consists of one parcel of unimproved property, more particularly located as designated on Exhibit “A” attached hereto and made a part hereof and, containing approximately 65,000 square feet, plus any improvement subsequently made thereto or thereon, whether made by LESSOR or LESSEE.

2. TERM

A. The initial term of this Lease shall be for a period of thirty-five (35) years, commencing on the first day of the month following the date that Lessee provides written notice to Lessor that Lessee has obtained approval from the Federal Aviation Administration for the proposed facilities on the premise (Exhibit A) and ending 35 years

thereafter, unless sooner terminated as provided for herein. Lessee shall be solely responsible for obtaining approval from the Federal Aviation Administration and shall endeavor to obtain such approval within 12 months of the date of this Agreement as provided above. If such approval has not been obtained within said 12 months, Lessor may terminate this Agreement without further obligation to Lessee.

B. LESSEE shall have the right, but not the obligation, to extend the original term of this Lease by three (3) additional periods of five (5) years; provided and the parties agree to a mutually accept minimum annual rent to be applicable during such extension term, and provided LESSEE shall not be in default of any term of condition contained herein at the time of exercising said options. LESSEE shall provide LESSOR with written notification of LESSEE's intent to exercise each option period within one hundred and eighty (180) days of the end of the then current term, and the parties shall meet to determine the mutually acceptable minimum annual rent applicable during such term no later than sixty (60) days prior to the end of the then current term. Provided the parties reach agreement on minimum annual rent, and LESSOR determines LESSEE is not in default of any term or condition, LESSEE and LESSOR shall execute an amendment to this Lease amending and extending the Lease term for the appropriate amount of time. All other terms and conditions, unless otherwise agreed to shall remain in full force and effect.

3. LEASE RENT

A. INITIAL MINIMUM RENT - LESSEE shall pay without abatement, deduction or affect, a net minimum annual rent of Twenty-Eight Thousand and Eighty Dollars (\$28,080.00), all due and payable in equal monthly installments of Two Thousand, Three Hundred, and Forty Dollars (\$2,340) beginning on the _____ after obtaining

Federal Aviation Administration (FAA) approval for proposed hangar (Exhibit A), and continuing thereafter throughout the entire term of this agreement.

B. RENT ADJUSTMENTS - The minimum annual rent shall be adjusted each and every year, beginning on the first anniversary date of the Lease term and continuing thereafter throughout the initial thirty-five (35) years of the Lease term, to reflect the percentage change in the Consumer Price Index. For purposes of this agreement, the Consumer Price Index shall be the California Consumer Price Index (all urban consumers, all items) as released by the California Division of Labor Statistics and Research. Said adjustment shall be calculated as follows:

The minimum annual rent charged for the twelve (12) month period being concluded shall be multiplied by the percentage increase in the Consumer Price Index for the last month released prior to each anniversary date of this Lease. The new minimum annual rent shall thereafter be paid in twelve (12) equal monthly installments for each twelve (12) month period in accordance with subdivision A herein. In no event shall the minimum annual rent be decreased.

The Consumer Price Index as used herein is based on the 1982-84=100 index. Should the Division of Labor Statistics and Research change the 1982-84=100 index, the above referenced formula shall be converted to reflect said change.

D. In the event LESSEE is delinquent in remitting the rent by the tenth (10th) day of each and every month throughout the entire Lease term, then the rent not paid when due shall bear interest at the rate of eighteen percent (18%) per annum from the date due until paid.

4. TAXES AND ASSESSMENTS: "PUBLIC CHARGES"

A. Obligations of LESSEE: From and after the date of execution of this Lease, LESSEE shall pay or cause to be paid all real estate taxes, assessments, and other

governmental charges, general and special, ordinary and extraordinary, of any kind and nature whatsoever applicable to the possessory interest of LESSEE in the Demised Premises, as created and established by this Lease, and the building improvements thereon, including but not limited to assessments for public improvements or benefits which shall for any period subsequent to the execution of this Lease and during the term hereof be assessed, levied or imposed upon or become due and payable and a lien upon said possessory interest and building and improvements thereon (specifically excepting therefrom any and all subsurface rights, if any, held or used by others who may have or claim any of the same, LESSEE assuming no liability whatsoever for the taxes, general and special assessments or other charges levied or assessed thereon), all of which taxes, assessments, levies and other governmental charges to be paid by LESSEE are referred to in this Lease as "public charges"; provided however, that if by law any such public charges are payable or may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such public charge), LESSEE may make such payments in installments as the same respectively become due and before any fine, penalty, or cost may be added thereto for the non-payment of any such installment; and provided further that any public charge relating to a fiscal period of the taxing authority expiring after the termination or expiration of this Lease, any part of which fiscal period is included within the time prior to termination or expiration of this Lease, shall (whether or not during the period prior to termination or expiration of this Lease such public charge shall be paid, assessed, levied or posed upon or become due and payable) be apportioned between the parties.

B. Time of Payment: All payments to be made by LESSEE pursuant to the provisions hereof shall be made before any fine, penalty, interest or cost may be added thereto for the non-payment thereof; and the LESSEE shall furnish LESSOR within sixty (60) days after the dates when the same are payable, as herein provided, with official

receipts or other evidence satisfactory to LESSOR that such public charges or excise on rents or other tax or assessments in lieu thereof as aforesaid has, to the extent of the aforesaid, been paid.

C. Contest: LESSEE may contest the legal validity or amount of any public charges for which LESSEE is responsible under this Lease and may institute such proceedings as LESSEE considers necessary. If LESSEE contests any such public charges, LESSEE may withhold or defer payment or pay under protest but shall protect LESSOR and the Demised Premises from any lien by adequate surety bond or other appropriate security.

LESSOR appoints LESSEE as LESSOR's attorney in fact for the purposes of making all payments to any taxing authorities and for the purpose of contesting any such public charge.

D. Exclusions: LESSEE's obligation to pay public charges levied or charged against said possessory estate or buildings or improvements or against specified personal property, shall not include the following whatever they may be called: business income or profit taxes levied or assessed against LESSOR by federal, state or other governmental agencies; estate, succession, inheritance, or transfer taxes of LESSOR; or corporation, franchise, or profit taxes imposed on any owner of the fee title of the Demised Premises.

E. Evidence of Payment: The certificate, advise or bill of the appropriate official designated by law to make or issue the same and to receive payment of any such public charge shall be prima-facie evidence that such public charge is due and unpaid at the time of the making or issuance of such certificate, advise, or bill; and the written receipt of such official shall be prima-facie evidence that the public charge therein described has been paid. LESSOR shall authorize and instruct the assessing authority to forward to LESSEE all bills covering such said public charge.

5. USE OF DEMISED PREMISES

A. Defined - LESSEE shall have the right and obligation to construct, maintain and operate the Demised Premises, for the purpose of aircraft storage and Aircraft Management, with the incidental right to maintain and service aircraft stored therein and to charge periodic hangar use fees to LESSEE's customers. Aircraft stored in the hangar will be registered with the Airport Manager. LESSEE shall not have the right or obligation to use the Demised Premises for any other purpose, nor shall LESSEE provide any other service without express written consent of the LESSOR.

B. Use Obligation - LESSEE shall actively and continuously use and operate the Demised Premises for the limited and particular exclusive use as expressly provided for above, except for failure to so use caused by reason of wars, strikes, riots, civil commotion, acts of public enemies, and acts of God. Said activities and continuous use and operation enhances the value of the Visalia Municipal Airport, provides needed public service, provides additional employment, taxes, and other benefits to the general economy. LESSEE, however shall not and is expressly prohibited from using the Demised Premises for any other purpose or use whatsoever whether it is purported to be in addition to or in lieu of the particular exclusive use set forth above.

C. In addition, LESSEE shall have the right to own and operate from the Demised Premises an air charter service licensed under Part 135 of the Federal Aviation Regulations and to sublease office and lounge areas within the hangar provided that any sublease shall require the prior written consent of the LESSOR. LESSOR further agrees to not arbitrarily withhold said consent. Any request for the payment of additional consideration to the LESSOR as a condition to granting consent to a sublease shall be considered arbitrary. Further, the consent of the LESSOR shall not be required as to any sublease to any entity in which the principals of the LESSEE own at least 50% of such entity.

6. **UTILITIES** - LESSEE shall be responsible for all costs of all connections and extensions of utilities from their current locations to and within the Demised Premises, and all costs associated with the use of said utilities.

7. **BUSINESS LICENSE** - LESSEE shall obtain a business license as paid by all people in similar circumstances, within the City of Visalia.

8. **RESERVATION OF MINERAL RIGHTS TO LESSOR** - All oil, gas, and mineral rights are expressly reserved from this Lease.

9. **ASSIGNING AND SUBLETTING** - The LESSEE shall not assign or sublet, or transfer the whole or any part of this Lease or any interest herein, nor sublease the whole or any part of the Demised Premises, nor contract for the management or operation of the whole or any part of the Demised Premises, nor permit the occupancy of any part thereof by any other person, nor permit transfer of the Lease or possession of the Demised Premises by merger, consolidation or dissolution, nor permit sale of a controlling interest in the voting stock in said corporation without the consent of LESSOR, in each instance following thirty (30) days written notice to LESSOR of LESSEE's intent to assign, sublet, transfer, sublease, contract for the management or operation, permit the occupancy or permit the transfer of the whole or any part of the Demised Premises, evidenced by LESSOR's ordinance, first had and obtained in each instance. It is mutually agreed that the personal qualifications of the parties controlling the corporation named herein as LESSEE are part of the consideration for the granting of this Lease and said parties do hereby agree to maintain active control and supervision of the operations conducted on the Demised Premises, to maintain its existence, rights, privileges, and franchises within the State of California, and qualify and remain qualified in each jurisdiction in which its present or future operations or its ownership of property requires such qualifications. No assignment, voluntary or involuntary, in

whole or in part of the Lease or any interest therein, and no sublease of the whole or any part of the Demised Premises, and no contract for the management or operation of the whole or any part of the Demised Premises, and no permission to any person to occupy the whole or any part of the Demised Premises, shall be valid or effective without the consent of the LESSOR, first had and obtained in each instance; provided however, that nothing herein contained shall be construed to prevent the occupancy of said Demised Premises by any employee or business invitee of LESSEE.

10. LESSEE'S ACCESS - LESSEE shall have unrestricted right of access to all taxiways, runways and public facilities of the airport and LESSOR shall maintain taxiways sufficient for the use of aircraft to the boundary of the Demised Premises and vehicle access to Demised Premises.

11. IMPROVEMENTS - Within one hundred and twenty (120) days after the commencement date of this Lease, LESSEE shall commence construction and diligently proceed to completion of the improvements consisting of a 19,500 square foot hangar, automobile parking, aircraft parking apron and all required landscaping. In no event shall LESSEE construct or plant any structure or growing improvements, which will exceed thirty-two (32) feet above the highest elevation of the Visalia Municipal Airport runway.

Before commencement of construction the LESSEE shall deliver to LESSOR for LESSOR's approval 2 sets of preliminary construction plans and specifications prepared by an architect or engineer licensed to practice as such in California, including but not limited to preliminary grading and drainage plans, utilities, sewer and service connections, locations of ingress and egress to and from public thoroughfares and aircraft taxiway, access roads, curbs, gutters, parkways, street lighting, designs and locations for outdoor signs, storage areas, landscaping design and planting materials, and parking plans, all sufficient to enable potential contractors and subcontractors to make reasonably accurate bid estimates and to enable

LESSOR to make an informed judgment about the design and quality of construction and about any effect on the reversion. At essentially the same time, LESSEE shall submit to the Federal Aviation Administration (FAA), Form 7460-1, "Notice of Proposed Construction or Alteration" in accordance with federal regulations. LESSEE understands and agrees that no construction shall commence without the prior approval of said notice and that processing time for said notice may take up to ninety (90) days. All improvements shall be constructed within the exterior property lines of the Demised Premises; provided that required work beyond the Demised Premises on utilities, storm drain line, access road, and other necessary improvements and Site Plan Review requirements do not violate this provision. With the plans, LESSEE shall deliver to LESSOR the certificate of the person or persons who prepared the plans and specifications certifying the LESSEE has fully paid them or waiving payment and waiving any right to a lien for preparing them and permitting LESSOR to use the plans without payment for purposes relevant to and consistent with this Lease.

The LESSEE shall also deliver to the LESSOR the written approval of the plans and specifications by the financial institution that shall have made the commitment for financing the construction.

LESSEE shall prepare final working plans and specifications substantially conforming to preliminary plans previously approved by LESSOR, submit them to the appropriate governmental agencies, including but not limited to the Tulare County Airport Land Use Commission, City of Visalia Site Plan Committee, City of Visalia Plan Check, and the Visalia Airport Advisory Committee. Changes from the preliminary plans shall be considered to be within the scope of the preliminary plans if they are not substantial or if they are made to comply with suggestions, requests, or requirements of a governmental agency or official in connection with the application for permit or approval, even if the governmental agency is LESSOR or the official is an agent or employee of LESSOR, hired for purposes of reviewing such plans, and if they do not depart

substantially in size, utility, or value from the minimum requirements of the paragraph containing description of improvements. Prior to commencement of construction the LESSEE shall:

A. Notify LESSOR of LESSEE's intention to commence a work of improvement at least 10 days before commencement of any such work or delivery of any materials. The notice shall specify the approximate location and nature of the intended improvements. LESSOR shall have the right to post and maintain on the Demised Premises any notices of non-responsibility provided for under applicable law, and to inspect the Demised Premises in relation to the construction at all reasonable times.

B. Furnish the LESSOR with a fully executed and recorded copy of the LESSEE's Contract with the General Contractor engaged to erect the improvements referred to in this paragraph, together with a fully executed and recorded copy of a Completion Bond given by LESSEE or the general contractor in an amount equal to the contract price covering all work of construction and improvement to be undertaken by or through the General Contractor and a copy of a fully executed and recorded Labor and Material Bond in an amount equal to fifty percent (50%) of the contract price guaranteeing payment for all labor and materials used in the construction of the improvements, together with evidence of the General Contractor's financial condition for LESSOR's approval, at least ten (10) days before commencement of construction. The LESSOR may waive the requirement of giving the bond referred to in this paragraph.

The Contract shall give LESSOR the right but not the obligation to assume LESSEE's obligations and rights under that Contract if LESSEE should default, subject only to the superior right of assignment held by the lender financing the construction. LESSOR may disapprove by Notice given within five (5) days following delivery of the copy of the Contract between the LESSEE and Contractor. The Notice shall specify the grounds for disapproval. LESSOR shall not unreasonably disapprove and shall be

considered to have approved in the absence of Notice of Disapproval given within five (5) days after LESSEE furnishes the Contract and evidence specified above.

C. Deliver to LESSOR true copies of all documents to evidence the commitment of financing for any new construction. "Financing" includes both the construction (or interim) financing and the take out (also called permanent or long-term) loan. LESSOR may require by notice that no construction commence until the take out financing is firmly committed but may disapprove the financing only if it violates an express provision of this Lease.

LESSOR shall have the right but not the obligation to assume LESSEE's financing for any improvements on the Demised Premises. LESSEE shall cause the lender to execute all documentation facilitative of this right. LESSOR's exercise of this right shall not constitute a waiver of any other right LESSOR may have against LESSEE, any surety or guarantor, or anyone else.

D. Deliver to LESSOR (1) certificates of insurance evidencing coverage for "builder's risk"; (2) evidence of workmen's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against LESSOR or the Demised Premises, and (3) evidence that LESSEE has paid or caused to be paid all premiums on insurance provided for in the paragraphs on insurance, sufficient to assure maintenance of all insurance above during the anticipated course of the work. LESSEE shall maintain, keep in force, and pay all premiums required to maintain and keep in force all insurance above at all times during which such work is in progress.

12. WARRANTIES - GUARANTEES - COVENANTS - LESSOR makes no warranty, guarantee, covenant, including but not limited to covenants of title and quiet enjoyment, or averment of any nature whatsoever concerning the condition of the Demised Premises, including

the physical condition thereof, or any condition which may affect the Demised Premises, and it is agreed that LESSOR will not be responsible for any loss, damage or cost which may be incurred by LESSEE by reason of any such condition or conditions.

13. PROSECUTION OF CONSTRUCTION - Once the work has begun, LESSEE shall with reasonable diligence prosecute to completion all construction of improvements, additions, or alterations. Construction required at the inception of the Lease shall be completed and ready for use within six (6) months after commencement of construction, provided that the time for completion shall be extended for as long as LESSEE shall be prevented from completing the construction by delays beyond LESSEE's control; but failure, regardless of cause, to complete construction within twelve (12) months following the commencement date of this Lease shall, at LESSOR's election exercised by notice, terminate this Lease. All work shall be performed in a good and workmanlike manner, shall substantially comply with plans and specifications submitted to LESSOR as required by this Lease and shall comply with all applicable governmental permits, laws, ordinances, and regulation, including those within the jurisdiction of LESSOR.

14. PAYMENT OF CONSTRUCTION COSTS

A. LESSEE shall pay or cause to be paid the total cost and expense of all works of improvements, as that phrase is defined in the Mechanic's Lien Law in effect at the place of construction when the work begins. LESSEE shall not suffer or permit to be enforced against the Demised Premises, or any part of it, any mechanic's, materialman's, contractor's or subcontractor's lien arising from any work of improvement, however it may arise. However, LESSEE may in good faith and at LESSEE's own expense contest the validity of any such asserted lien, claim, or demand, provided LESSEE has furnished the bond required in California Civil Code Section 3143 (or any comparable statute hereafter

enacted for providing a bond freeing the Demised Premises from the effect of such a lien claim).

B. If LESSEE does not cause to be recorded the bond described in California Civil Code Section 3143 or otherwise protect the property under any alternative or successor statute, and a final judgment has been rendered against LESSEE by a court of competent jurisdiction for the foreclosure of a mechanic's, materialman's, contractor's, or subcontractor's lien claim, and if LESSEE fails to stay the execution of the lien or judgment by lawful means or to pay the judgment, LESSOR shall have the right, but not the duty, to pay or otherwise discharge, stay, or prevent the execution of any such judgment or lien, or both. LESSEE shall reimburse LESSOR for all sums paid by LESSOR under this paragraph, together with all LESSOR's reasonable attorney's fees and costs.

C. LESSEE shall defend and indemnify LESSOR against all liability and loss of any type arising out of work performed on the Demised Premises by LESSEE, including liability arising from LESSOR's active or passive negligence, together with reasonable attorney's fees and all costs and expenses incurred by LESSOR in negotiating, settling, defending, otherwise protecting against such claims.

15. FILE NOTICE OF COMPLETION - On completion of any substantial work of improvement during the term, LESSEE shall file or cause to be filed a notice of completion. LESSEE hereby appoints LESSOR as LESSEE's attorney-in-fact to file the notice of completion on LESSEE's failure to do so after the work of improvement has been substantially completed.

16. SUPPLY AS BUILT DRAWINGS - On completion of any work of improvement, LESSEE shall give LESSOR notice of all changes in plans or specifications made during the course of the work and shall at the same time and in the same manner, supply LESSOR with "as built" drawings accurately reflecting all such changes. LESSOR acknowledges that it is common practice in the

construction industry to make numerous changes during the course of construction of substantial projects. Changes that do not substantially alter plans and specifications previously approved by LESSOR do not constitute a breach of LESSEE's obligation.

17. REPAIR AND MAINTENANCE

A. General Repairs and Maintenance - Throughout the entire Lease term, LESSEE shall, at LESSEE's sole cost and expense maintain the Demised Premises and all improvements thereupon in good condition and repair, including, but not limited to, the interior and exterior of the facility, the landscaping, the paving of the parking lot, aircraft parking apron, the access road, and all other improvements existing and hereafter erected thereupon, to the reasonable satisfaction of the LESSOR, and in accordance with all applicable rules, laws, ordinances, orders and regulations of (1) federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials including LESSOR; (2) the insurance underwriting board, or insurance inspection bureaus having or claiming jurisdiction; and (3) all insurance companies insuring all or any part of the Demised Premises or improvements or both. LESSEE further understands and agrees that the LESSOR shall have the right at all reasonable times to make periodic inspections of LESSEE's facilities and notify LESSEE in the manner provided for in this Lease, of any conditions in need of repair or concerns LESSOR may have regarding the appearance of the facilities. LESSEE shall make every effort to correct said conditions within a reasonable period of time, however in no instance shall it be longer than ninety (90) days from the date of the notice without the consent of the LESSOR.

B. Extraordinary Repairs and Maintenance - In the event of damage to or the destruction by fire, the elements, acts of God, or any other cause, or, in the event LESSEE's constructed improvements located within the Demised Premises are declared

unsafe or unfit for use or occupancy by a public entity with the authority to make and enforce such declaration, including LESSOR, LESSEE shall, within ninety (90) days, commence and diligently pursue to completion the repair, replacement, or reconstruction of improvements necessary to permit full use and occupancy of the Demised Premises for the purpose required by this Lease. Repair, replacement or reconstruction of improvements within the Demised Premises shall be accomplished in a manner and according to plans approved by LESSOR; provided, however, LESSEE shall not be obligated to repair, reconstruct or replace the improvements following their destruction in whole or substantial part except to the extent the loss is covered by insurance required to be carried by LESSEE pursuant to Paragraph 20 of this Lease (or would be covered whether or not such required insurance is actually in effect). If LESSEE elects not to restore, repair or reconstruct as herein provided, the Lease shall terminate and LESSOR shall have any rights to which it would be entitled under the provisions of paragraph 19 of this Lease.

18. OWNERSHIP OF IMPROVEMENTS

A. During the term of this Lease, all improvements constructed on the Demised Premises by LESSEE, as permitted by this Lease, shall be owned by LESSEE until expiration of the term or sooner termination of this Lease. LESSEE shall not, however, remove any improvements from the Demised Premises, except as permitted by this Lease. The parties covenant for themselves and all persons claiming under them that the improvements are personal property.

B. At the end of the Lease term all improvements on the Demised Premises at the expiration of the term or sooner termination of this Lease shall, without compensation to LESSEE, and except as provided for in Section 31 (A)(3), then become LESSOR's property free and clear of all claims to or against them by LESSEE or any third person,

and LESSEE shall defend and indemnify LESSOR against all liability and loss arising from such claims or from LESSOR's exercise of the rights conferred by this paragraph.

C. At the expiration or sooner termination of the term of this Lease, LESSOR may, at the LESSOR's election, demand the removal of all structures, installations and improvements, as specified in the notice provided for below. A demand to take effect at the normal expiration of the term shall be effected by notice given at any time within one month before the expiration date. A demand to take effect on any other termination of the Lease shall be effected by notice given in, or concurrently with, notice of such termination or within 30 days after such termination.

LESSEE shall comply with the notice before the expiration date, for normal termination, and within 60 days after the notice for other termination. The duty imposed by this provision includes but is not limited to the duty to demolish and remove all fuel storage tanks, basements and foundations, fill all excavations, return the surface to grade, and leave the Demised Premises safe and free from debris and hazards; provided that after compliance with a demand for removal of less than all fixtures and improvements, LESSEE shall be required to remedy only willful and negligent injuries to the Demised Premises or remaining improvements or fixtures.

If LESSEE fails to remove such structures, installations or improvements within sixty (60) days, LESSOR shall have the right to have such structures, installations or improvements removed at the expenses of LESSEE. As to any or all structures, installations or improvements that LESSOR does not exercise said option for removal, title thereto shall vest in the LESSOR without cost to LESSOR and without any payment to LESSEE.

19. INSURANCE - "ALL RISKS" BUILDER'S RISK INSURANCE POLICY - Prior to the issuance of any excavation, grading, foundation or building permit on or with respect to the

Demised Premises, and continuing thereafter throughout the term hereof, LESSEE shall maintain, with a reputable and financially responsible insurance company, licensed to do business in California, reasonably acceptable to LESSOR, an “all risk” builder’s risk insurance policy specific to the project, covering loss or damage to all materials, equipment and work involved with regard to improvements on the Demised Premises, including vandalism and malicious mischief and “time element” loss or soft cost coverage, in any amount not less than the replacement cost of all materials, equipment and work risk and in the form acceptable to the LESSOR. Such insurance policy or policies shall waive all rights or subrogation against the City of Visalia, its officers, employees and agents.

20. INSURANCE - BUSINESS INTERRUPTION AND EXTRA EXPENSE COVERAGE -

Throughout the term of this Lease, at LESSEE’s sole cost and expense, LESSEE shall keep or cause to be kept in force, for the mutual benefit of LESSOR and LESSEE, a policy of insurance against “Business Interruption and Extra Expense” from loss or damage resulting from hazards to owned or non-owned property which prevents normal operations from continuing. Such coverage shall be on an Actual Loss Sustained basis, in an amount equal to at least one (1) years expected operating profit before taxes (calculated according to generally accepted accounting principles consistently applied) plus expenses, including LESSEE’s financial obligation to LESSOR, that necessarily continue notwithstanding the business interruption. The insurance shall also provide Extended Period of Indemnity provisions for payment of loss until normal operations resume.

21. INSURANCE - FIRE - Throughout the term of this Lease, at LESSEE’s sole cost and expense, LESSEE shall keep or cause to be kept insured for the mutual benefit of the LESSOR, the LESSEE and the holder of any security interest therein, all improvements to the Demised Premises erected thereupon by the LESSEE, against loss or damage by fire and such other risks

as are now or hereafter included in extending coverage endorsements in common use for commercial structures, including vandalism or malicious mischief. The amount of the insurance shall be sufficient to prevent either LESSOR or LESSEE from becoming a coinsurer under the provisions of the policies, but in no event shall the amount be less than the "Full Actual Replacement Value". Full Actual Replacement value, as used herein, means the cost of repairing, replacing, or reinstating, including demolishing, any item or property with materials of like kind and quality in compliance with any law or ordinance regulating repair or construction at the time of loss, without deduction for physical, accounting, or any other depreciation. LESSOR shall not carry any insurance the effect of which, would be to reduce the protection or payment to LESSEE under any insurance that this Lease obligates LESSEE to carry. If any dispute, whether the amount of insurance complies with the above, cannot be resolved by agreement, LESSOR may, not more often than once every 24 months, request the carrier of the insurance then in force to determine the full insurable value as defined in this provision, and the resulting determination shall be conclusive between the parties for the purpose of this paragraph. LESSEE may include the holder of any mortgage on the leasehold or on the fee or both as a loss payee; on the LESSOR's notice of demand LESSEE shall include the holder of any mortgage on the fee as a loss payee to the extent of that mortgage interest. LESSOR shall, at LESSEE's cost and expense, cooperate fully with LESSEE to obtain the largest possible recovery, and all policies of fire extended coverage insurance required by LESSOR shall provide that the proceeds shall be paid to LESSEE as follows:

- A.** The proceeds shall be deemed to be held in trust by the recipient to the uses and purposes prescribed by this Lease.
- B.** Payments of the proceeds for repair, restoration, or reconstruction of improvements shall be made monthly on LESSOR's certificates until the work is completed and accepted.

C. Any insurance proceeds remaining after complying with the provisions of this Lease relating to maintenance, repair, and reconstruction of improvements shall be the LESSEE's sole property.

22. INSURANCE - LIABILITY - Throughout the term of this Lease, at LESSEE's sole cost and expense, LESSEE shall keep or cause to be kept in force, for the mutual benefit of LESSOR and LESSEE, comprehensive broad form general liability insurance against any and all claims and liability for personal injury, death, or property damage arising out of the use, occupancy, disuse or condition of the Demised Premises, personal property thereon, improvements or adjoining areas of ways, providing combined single limit of at least One Million Dollars (\$1,000,000.00), for any one accident or occurrence, for bodily injury or death to one or more persons, and at least Five Hundred Thousand Dollars (\$500,000.00) for Property damage.

23. INSURANCE - WORKERS COMPENSATION - LESSEE shall maintain Worker's Compensation insurance with statutory limits, and employer's liability insurance with limits of not less than One Million Dollars (\$1,000,000.00) per accident or occurrence.

24. INSURANCE - GENERAL REQUIREMENTS - All insurance required by express provisions of this Lease shall be carried only in responsible insurance companies licensed to do business in the State of California. All such policies shall be nonassessable and shall contain language, to the extent obtainable, to the effect that

A. Any loss shall be payable notwithstanding any act or negligence of LESSOR that might otherwise result in a forfeiture of the insurance.

B. The insurer waives the right of subrogation against LESSOR and against LESSOR's agents and representatives.

C. The policies are primary and noncontributing with any insurance that may be carried by LESSOR.

D. They cannot be canceled or materially changed except after 30 days' notice by the insurer to LESSOR or LESSOR's designated representative.

E. LESSEE shall furnish LESSOR with copies of all such policies promptly on receipt of them, or with certificates evidencing the insurance. Before commencement of the Lease, LESSEE shall furnish LESSOR with binders representing all insurance requirements by this Lease. LESSEE may effect for its own account any insurance not required under this Lease. LESSEE may provide by blanket insurance covering the Demised Premises and any other location or locations any insurance required or permitted under this Lease provided it is acceptable to all mortgagees. LESSEE shall deliver to LESSOR, in the manner required for notices, copies of certificates of all insurance policies required by this Lease, together with evidence satisfactory to LESSOR of payment required for procurement and maintenance of the policy, within the following time limits:

1. For insurance required at the commencement of this Lease, within 30 days after execution of this Lease;

2. For insurance becoming required at a later date, at least 15 days before the requirements takes effect, or as soon thereafter as the requirement, if new, takes effect;

3. For any renewal or replacement of a policy already in existence, at least 30 days before expiration or other termination of the existing policy.

F. LESSOR, and LESSOR's elected and appointed officials, agents, representatives, and employees are to be named as additional insured under the policy.

If LESSEE fails or refuses to procure or to maintain insurance as required by this Lease or fails to furnish LESSOR with required proof that the insurance has been procured and is in force and paid for, LESSOR shall have the right, at LESSOR's election and on five (5) days' notice to

LESSEE, to procure and maintain such insurance. The premiums paid by LESSOR shall be treated as added rent due from LESSEE with interest at the rate of 18% per year, to be paid on the first day of the month following the date on which the premiums were paid. LESSOR shall give prompt notice of the payment of such premiums, stating the amounts paid and the names of the insurer or insurers, and interest shall run from the date of the notice.

25. INDEMNIFICATION - LESSEE agrees to and shall defend and indemnify LESSOR and LESSOR's elected and appointed officials, agents, representatives and employees against all claims, liability, loss and expense caused or incurred by reason of injury to person or property, or both, including without limitation, injury to the person or property of LESSEE, its agents, officers and employees, arising out of the condition of the Demised Premises or any operations thereof conducted thereupon or therefrom caused by any act of omission or commission by LESSEE, its agents, officers, employees, or invitees, or any other cause whatsoever, or caused by LESSOR, its agents, officers, employees, or invitees, or any other cause whatsoever, specifically to include the sole active negligence of LESSOR, its agents or employees.

LESSOR agrees to and shall defend and indemnify LESSEE and LESSEE's officers, directors, agents, representatives and employees against all claims, liability, loss and expense caused or incurred by reason of injury to person or property, or both, including without limitation, injury to the person or property of LESSOR arising out of the condition of the Demised Premises or any operations thereof conducted thereupon or therefrom caused by any act or omission or commission by LESSOR, its agents, officers, employees, or invitees, or any other cause whatsoever, or caused by LESSEE, its agents, officers, employees, or invitees, or any other cause whatsoever, specifically to include the sole active negligence of LESSEE, its agents or employees.

26. DEFINITION OF DEFAULT BY LESSEE - Each of the following events shall be a default by LESSEE and a breach of this Lease.

A. Abandonment or surrender of the Demised Premises or of the leasehold estate, or failure or refusal to pay when due any installment of rent or any other sum required by this Lease to be paid by LESSEE, or to perform as required or conditioned by any other covenant or condition of this Lease.

B. The subjection of any right or interest of LESSEE to attachment, execution, or other levy, or to seizure under legal process, if not released within 10 days provided that the foreclosure of any mortgage permitted by provisions of this Lease relating to purchase or construction of improvements shall not be construed as a default within the meaning of this paragraph.

C. The appointment of a receiver to take possession of the Demised Premises, or improvements or of LESSEE's interest in the leasehold estate, or of LESSEE's operation on the Demised Premises for any reason, including but not limited to, assignment for benefit of creditors or voluntary or involuntary bankruptcy proceedings, but not including receivership (1) pursuant to administration of the estate of any deceased or incompetent LESSEE, or (2) instituted by LESSOR, the event of default being not the appointment of a receiver at LESSOR's insistence, but the event justifying the receivership, if any.

D. An assignment by LESSEE for the benefit of creditors or the filing of a voluntary or involuntary petition by or against LESSEE under any law for the purpose of adjudication of LESSEE's liabilities; or for reorganization, dissolution, or arrangement on account of or to prevent bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders, adjudications, custodies, and supervisions are dismissed, vacated, or otherwise permanently stayed or terminated within 30 days after the assignment, filing or other initial event.

E. Failure to maintain said Demised Premises as required pursuant to the terms of this Lease.

27. NOTICE OF DEFAULT - As a precondition to pursuing any remedy for an alleged default by LESSEE, LESSOR shall, before pursuing any remedy, give notice of default to LESSEE and to all qualifying subtenants whose names and addresses were previously given to LESSOR in a notice or notices from LESSEE. A qualifying subtenant is a subtenant in possession under an existing sublease which is proper under this Lease.

If the alleged default is nonpayment of rent, taxes, or other sums to be paid by LESSEE as provided in the paragraph on rent, or elsewhere in this Lease directed to be paid as rent, LESSEE shall have 10 days after notice is given to cure the default. For the cure of any other default, LESSEE shall promptly and diligently after the notice commence to cure the default and shall have 10 days after notice is given to complete the cure plus any additional period that is reasonably required for the curing of the default. After expiration of the applicable time for curing a particular default, or before the expiration of that time in the event of emergency, LESSOR may at LESSOR's election, but is not obligated to, make any payment required of LESSEE under this Lease or perform or comply with any covenant or condition imposed on LESSEE under this Lease and the amount so paid plus the reasonable cost of any such performance or compliance, plus interest on such sum at the rate of 10% per year from the date of payment, performance, or compliance (herein called "Act"), shall be deemed to be additional rent payable by LESSEE with the next succeeding installment of rent. No such Act shall constitute a waiver of default or of any remedy for default or render LESSOR liable for any loss or damage resulting from any such Act.

28. REMEDIES IN THE EVENT OF DEFAULT - If any default by LESSEE shall continue uncured, following notice of default as required by this Lease, for the period applicable to the default under the applicable provision of this Lease, LESSOR has the following remedies in

addition to all other rights and remedies provided by law or equity, to which LESSOR may resort cumulatively or in the alternative:

A. LESSOR may, at LESSOR's election, terminate this Lease by giving LESSEE notice of termination. On the giving of the notice, all LESSEE's right in the Demised Premises and in all improvements shall terminate. Promptly after notice of termination, LESSEE shall surrender and vacate the Demised Premises and all improvements in broom-clean condition, and LESSOR may re-enter and take possession of the Demised Premises and all remaining improvements and eject all parties in possession or eject some and not others or eject none; provided that no subtenant qualifying under nondisturbance provisions of this Lease shall be ejected. Termination under this paragraph shall not relieve LESSEE from the payment of any sum then due to LESSOR or from any claim for damages previously accrued or then accruing against LESSEE.

B. LESSOR may, at LESSOR's election, re-enter the Demised Premises, and, without terminating this Lease, at any time and from time to time relet the Demised Premises and improvements or any part or parts of them for the account and in the name of the LESSEE or otherwise. LESSOR shall apply all rents from reletting as in the provision on assignment of subrents. Any reletting may be for the remainder of the term or for a longer or shorter period. LESSOR may execute any Leases made under this provision either in LESSOR's name or in LESSEE's name and shall be entitled to all rents from the use, operation, or occupancy of the Demised Premises or improvements or both. LESSEE shall nevertheless pay to LESSOR on the due dates specified in this Lease the equivalent of all sums required of LESSEE under this Lease, plus LESSOR's expenses, less the avails of any reletting or attornment. No act by or on behalf of LESSOR under this provision shall constitute a termination of this Lease unless LESSOR gives LESSEE notice of termination.

C. LESSOR may, at LESSOR's election, use LESSEE's personal property and trade fixtures or any of such property and fixtures without compensation and without liability for use or damage, or store them for the account and at the cost of LESSEE.

D. LESSOR shall be entitled, at LESSOR's election, to each installment of rent or to any combination of installments for any period before termination, plus interest at the rate of 10 percent per year from the due date of each installment. Avails of reletting or attorned subrents shall be applied, when received, as follows: (1) to LESSOR to the extent that the avails for the period covered do not exceed the amount due and charged to LESSEE for the same period, and (2) the balance to LESSEE. LESSOR shall make reasonable efforts to mitigate LESSEE's liability under this provision. LESSOR shall be entitled at LESSOR's election to damages in the following sums: (1) all amounts that would have fallen due as rent between the time of termination of this Lease and the time of the claim, judgment, or other award, less that avails of all relettings and attornments and less all amounts by which LESSOR shall reasonably have mitigated those rental losses, plus interest on the balance at the rate of 10 percent per year, and (2) the "worth" at the time of the claim, judgment, or other award, of the amount by which the unpaid rent for the balance of the term exceeds the then fair rental value of the Demised Premises, or the higher/lower of the fair rental value unencumbered by the Lease and improvements. "Worth", as used in this provision, is computed by discounting the total at the discount rate of the Federal Reserve Bank of San Francisco at the time of the claim, judgment, or award, plus one percent. LESSOR shall not be considered to be in default under this Lease unless (1) LESSEE has given notice specifying the default and (2) LESSOR has failed for 10 days to cure the default, if it is curable, or to institute and diligently pursue reasonable corrective or ameliorative acts for noncurable defaults. LESSEE waives the protections of Civil Code Sections 1932 and 1933.

29. WAIVER OF DEFAULT - No waiver of any default shall constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by either party shall give the other any contractual right by custom, estoppel, or otherwise. The subsequent acceptance of rent pursuant to this Lease shall not constitute a waiver of any preceding default by LESSEE other than that default in the payment of the particular rental payment.

30. LEASE ENCUMBRANCE - LESSEE understands and agrees that it cannot encumber the Lease, leasehold estate and the improvements thereon by a deed of trust, mortgage or other security instrument to assure payment of any promissory note of LESSEE without the prior express written consent of the LESSOR in each instance, which consent shall be at the sole and exclusive discretion of the LESSOR. If any deed of trust, mortgage or other security instrument that encumbers the Lease, leasehold estate and the improvements thereon is entered into by LESSEE without LESSOR's prior express written consent, LESSOR shall have the right to declare this Lease in default.

31. EMINENT DOMAIN - If the whole or a substantial part of the Demised Premises hereby leased shall be taken by any public authority under the power of eminent domain, the term of this Lease shall cease as to the part taken, from the day the possession of that part shall be taken for any public purpose, and the rent shall be paid up to that day, and from that day LESSEE shall have the right either to cancel this Lease and declare the same null and void or to continue in the possession of the remainder of the same under the terms herein provided, except that the rent shall be reduced in proportion to the amount of the Demised Premises taken. All damages awarded for such taking shall belong to and be the property of the LESSOR whether such damages shall be awarded as compensation for diminution in value to the leasehold or to the fee of the Demised Premises herein leased, LESSEE's only remedies being the election of

cancellation or reduction in rent; provided, however, that LESSOR shall not be entitled to any award made for the taking of any installation or improvements on the Demised Premises belonging to LESSEE.

32. QUITCLAIM OF LESSEE'S INTEREST UPON TERMINATION - Upon termination of this Lease for any reason, including but not limited to termination because of default by LESSEE, LESSEE shall execute, acknowledge and deliver to LESSOR within thirty (30) days after receipt of written demand thereof, a good and sufficient deed whereby all right, title and interest of LESSEE in the Demised Premises is quitclaimed to LESSOR. Should LESSEE fail or refuse to deliver the required deed to LESSOR, LESSOR may prepare and record notice reciting the failure of LESSEE to execute, acknowledge and deliver such deed and said notice shall be conclusive evidence of the termination of the Lease and of all rights of LESSEE or those claiming under LESSEE in and to the Demised Premises.

33. ATTORNEYS' FEES - If either party brings any action or proceeding to enforce, protect, or establish any right or remedy, the prevailing party shall be entitled to recover reasonable attorneys' fees. Arbitration is not an action or proceeding for the purpose of this provision.

34. NOTICES - As used in this Lease, "notice" includes, but is not limited to, the communication of notice, request, demand, approval, statement, report, acceptance, consent, waiver, and appointment. No notice of the exercise of any option or election is required unless the provision giving the election or option expressly requires notice. Unless the provision of this Lease on rent direct otherwise, rent shall be sent in the manner provided for giving notice.

A. Writing. All Notices must be in writing, provided that no writing other than the check or other instruments representing the rent payment itself need accompany the payment of rent.

B. Delivery. Notice is considered given either (a) when delivered in person to the recipient named as below, or (b) on the date shown on the return receipt after deposit in the United States mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage and postal charges prepaid, addressed by name and address to the party or persons intended as follows:

Notice to LESSOR: City of Visalia
City Clerk
220 N. Santa Fe Street
Visalia, CA 93292

Copy to: City of Visalia
Airport Manager
9501 Airport Drive
Visalia, CA 93277

Notice to LESSEE: AMS Inc.
C/O Darrell Tunnell
9519 Airport Dr, Hangar 19
Visalia, CA 93291

C. Change of recipient or address. Either party may, by notice given at any time or from time to time, require subsequent notices to be given to another individual person, whether a party or an officer or representative, or to a different address, or both. Notices given before actual receipt of notice of change shall not be invalidated by the change.

D. Recipient named. Each recipient named must be an individual person. If more than one recipient is named, delivery of notice to any one such recipient is sufficient. If none of the recipients named in the latest designation of recipient is available for delivery in person, and if the notice addressed by mail to each recipient named in the latest designation of recipient is returned to the sender undelivered, notice shall be sufficient if sent by mail as above to the party as named in this Lease, unless the name or identity of the party has changed as permitted in this Lease and proper notice of the change has been given, in which event the notice shall be sufficient if sent by mail as above to the party named in the latest designating party, and the notice is considered given when the first attempt to give notice was properly made.

35. REGULATIONS - LESSEE shall not conduct, or allow to be conducted upon the Demised Premises, any dangerous or hazardous activities, or any activities considered to be a nuisance to the airport or its tenants and neighbors, and LESSEE agrees to abide by all applicable F.A.A. and U.S. Government rules and regulations, including, but not limited to the following:

A. The LESSEE for himself, his heirs, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described herein for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the LESSEE shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted programs of the Department of Transportation and as said Regulations may be amended.

B. The LESSEE for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that:

1. No person on the grounds of race, color, sex, age or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subject to discrimination in the use of said facilities; and

2. That in the construction of any improvements on, over or under such land and the furnishing or services thereon, no person on the grounds of race, color, sex, age or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination; and

3. That the LESSEE shall use the Demised Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted programs of the Department of Transportation, and as said Regulations may be amended.

C. It is understood and agreed that nothing contained herein 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.

D. LESSEE agrees to furnish service on a fair, equal and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable and not unjustly discriminatory prices for each unit or service, provided, that LESSEE may make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

E. The LESSOR reserves the right (but shall not be obligated to LESSEE) to maintain and keep in repair the landing area of the airport and all publicly owned facilities of the airport, together with the right to direct and control all activities of the LESSEE in this regard.

F. The LESSOR reserves the right to further develop or improve the landing area and all publicly owned air navigation facilities of the airport as it sees fit, regardless of the desires or views of the LESSEE, and without interference or hindrance.

G. The LESSOR reserves the right to take any action it considers necessary to protect aerial approaches of the airport against obstructions, together with the right to prevent LESSEE from erecting, or permitting to be erected, any building or other structure on the airport which in the opinion of the LESSOR would limit the usefulness of the airport or constitute a hazard to aircraft.

H. During the time of war or national emergency the LESSOR shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly owned air navigation facilities and/or other areas or facilities of the airport. If any such agreement is executed, the provisions of this Lease, insofar as they are inconsistent with the provisions of the agreement with the Government, shall be suspended.

I. It is understood and agreed that the rights granted by this Lease will not be exercised in such a way as to interfere with or adversely affect the use, operation, maintenance or development of the airport.

J. There is hereby reserved to the LESSOR, its successors and assigns, for the use and benefit of the public, a free and unrestricted right of flight for passage of aircraft in the airspace above the surface of the Demised Premises herein conveyed, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of or flight in the air, using said airspace or landing at, taking off from, or operating on or about the airport.

K. The Lease shall become subordinate to provisions of any existing or future agreement between the LESSOR and the United States of America, or any agency thereof relative to the operation, development, or maintenance of the airport, the execution of

which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the airport.

36. CURRENT AND FUTURE AIRPORT REGULATIONS - This Lease and all rights conferred thereby shall at all times be subject to current and future regulations governing any and all activities at the Visalia Municipal Airport to the same extent that such current and future regulations govern the activities of all persons using the facilities of the Visalia Municipal Airport and occupying structures thereon.

37. MODIFICATIONS - It is understood and agreed by and between the parties hereto that any alterations, modifications, or additions to the structural improvements, including landscaping and the paint colors, on the leasehold Demised Premises by the LESSEE can only be instituted by first obtaining written approval of the LESSOR of the plans, locations and specifications of said structural changes. Alterations, modifications, or additions to the interiors of the improvements shall not be considered structural, provided LESSEE agrees to provide LESSOR one set of "as built" plans for said changes within 60 days of completion.

38. SIGNS - LESSEE agrees that no signs will be painted or erected on the subject Demised Premises unless such signage is first approved in writing by LESSOR and is also approved by the City of Visalia in its governmental capacity. All signage painted or erected on the subject Demised Premises or off-site signage for the benefit or use of LESSEE, shall be in compliance with the City of Visalia ordinance related to signs, zoning and building regulations.

39. AFFECT OF ILLEGALITY - The invalidity or illegality of any provision shall not affect the remainder of the Lease.

40. BINDING ON SUCCESSORS - Subject to the provisions of this Lease on assignment and subletting, each and all of the covenants and conditions of this Lease shall be binding on and shall inure to the benefit of the heirs, successors, executors, administrators, assigns, and personal representatives of the respective parties.

41. SURRENDER ON TERMINATION - At the expiration or earlier termination of the term, LESSEE shall surrender to LESSOR the possession of the Demised Premises. Surrender or removal of improvements, fixtures, and trade fixtures shall be as directed in above provisions of this Lease on ownership of improvements at termination. LESSEE shall leave the surrendered Demised Premises and any other property in good and broom-clean condition except as provided to the contrary in provisions of this Lease on maintenance and repair of improvements. All property that LESSEE is required to surrender shall become LESSOR's property at the termination of the Lease. All property that LESSEE is not required to surrender but that LESSEE does abandon shall, at LESSOR's election, become LESSOR's property at termination. If LESSEE fails to surrender the Demised Premises at the expiration or sooner termination of this Lease, LESSEE shall defend and indemnify LESSOR from all liability and expense resulting from the delay or failure to surrender, including, without limitation, claims made by any succeeding tenant founded on or resulting from LESSEE's failure to surrender.

42. HOLDOVER - This Lease shall terminate without further notice at expiration of the Lease term. Any holding over by LESSEE after either expiration or termination shall not constitute a renewal or extension, or give LESSEE any rights in and to the Demised Premises, unless as provided in paragraph 2B above. If LESSEE, with LESSOR's consent, remains in possession of the Demised Premises after expiration or termination of the term or after the date in any notice given by LESSOR to LESSEE terminating this Lease, such possession by LESSEE shall be deemed to be a month-to-month tenancy terminable on thirty (30) days' notice given at any time

by either party. During any such month-to-month tenancy, LESSEE shall continue to pay all rent required by this Lease. All other provisions of this Lease, except those pertaining to term, shall apply to the month-to-month tenancy.

43. TIME IS OF THE ESSENCE - Time is of the essence of each and all of the terms and provisions of this Lease and this Lease shall inure to the benefit of and be binding upon the parties hereto and any successors or LESSEE as fully and to the same extent as though specifically mentioned in each instance, and all covenants, stipulations and agreements in this Lease shall extend to and bind any assigns and sublessees of LESSEE.

45. ENTIRE AGREEMENT - This Lease contains the entire agreement between the parties. No promise, representation, warranty, or covenant not included in this Lease has been or is relied on by either party. Each party has relied on his own examination of this Lease, counsel of his own advisors and the warranties, representations, and covenants if any, in the Lease itself. The failure or refusal of either party to inspect the Demised Premises or improvements, to read the Lease or other documents, or to obtain legal or other advise relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on such reading, inspection or advise.

46. ABSTRACT OF LEASE - This is the final paragraph and abstract of the Lease dated _____, by and between the City of Visalia, LESSOR and Aircraft Maintenance Services (AMS) Inc., LESSEE, concerning the Demised Premises described in Exhibit "A" attached hereto and by this reference made a part hereof.

For good and adequate consideration, LESSOR leases the Demised Premises to LESSEE, and LESSEE hires from LESSOR, for the term and on the provisions contained in the Lease including, without limitation, provisions prohibiting assignment, subleasing, and

encumbering said Lease without the express written consent of LESSOR in each instance, all as more specifically set forth in this abstract by this reference.

The term is thirty-five (35) years, beginning on _____ and ending on _____.

This abstract is not a complete summary of the Lease. Provisions in the abstract shall not be used in interpreting the Lease provisions. In the event of conflict between the abstract and other parts of the Lease, the parts contained within the Lease shall control. Execution hereof constitutes execution of the Lease itself.

47. VENUE

This contract is to be construed by the laws of the State of California with venue only in Tulare County, or the United States District Court for the Eastern District of California.

AMS Inc, LESSEE

Dated: _____ by: _____
Darrell Tunnell, AMS INC.

CITY OF VISALIA, LESSOR

Dated: _____, by: _____
Leslie Caviglia, City Manager

APPROVED AS TO FORM:

Dated: _____, by: _____
Ken Richardson, City Attorney

Dated: _____, by: _____
Charlotte Dunn, Risk Management

