

AMS

02 006

AIRPORT LEASE AGREEMENT

This Ground Lease is made and entered into this 2nd day of July 2002, by and between the City of Visalia, a Municipal Corporation of the State of California, hereinafter called LESSOR, and Darrell Tunnell Co., a Sole Proprietor, hereinafter called LESSEE, and replaces in whole that certain Ground Lease Agreement entered into the 1st day of January, 1987, between the City of Visalia, as LESSOR and Wellbanks, Inc., a California Corporation, 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 Paragraph 1B. below.

1. DEMISED PREMISES

A. Definition: Except 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 .9 acres of unimproved property, situated in the City of Visalia, County of Tulare, State of California which is described as follows:

Beginning at a point which is 825.00 feet South along the Quarter Section line of the N.W. corner of the N.E. 1/4 of Section 32, R.18, T.24, M.D.B.&M., Situated in the

County of Tulare, State of California, thence West 182.35 feet to the S.E. corner of a parcel to be the True Point of Beginning; Thence North 220.00 to the N.E corner; Thence West 178.00 feet to the N.W. corner; Thence 220.00 feet South along a line parallel to said Quarter Section line to the S.W. corner; Thence East 178.00 to the True Point of Beginning.

2. TERM

A. The term of this Lease shall be for a period of Thirty (30) years commencing on the 1st day of July 2002 and ending on the 30th day of June, 2032, unless sooner terminated as provided for herein.

B. 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. Provided 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 Ten Thousand One Hundred and Eighty-one Dollars and sixty cents (\$10,181.60), all due and payable in equal monthly installments of Eight Hundred Forty-eight Dollars and forty-seven cents (\$848.47) beginning on the 1st day of July, 2002 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 entire 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 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.

C. 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 use said premises for the purpose of aircraft storage and aircraft maintenance, with the incidental right to maintain and service aircraft stored therein and to charge periodic hangar use fees to LESSEE's customers. All aircraft stored in the hangar shall 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 sublease a portion of hangar and office areas, not to exceed 50% of the Demised Premises, 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. **ASSIGNMENT** - The LESSEE shall not assign or transfer the whole or any part of this Lease or any interest herein, 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, 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. 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 now existing and hereafter erected 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 13 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 12 of this Lease.

12. 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, 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 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. INDEMNIFICATION - The LESSEE agrees to and shall protect, indemnify and hold harmless the LESSOR and all officers, agents, representatives and employees of the LESSOR, from any and all liability, claims, or damages of whatsoever kind or character, including attorney's fees and costs of all types incurred in defense of any of said parties, from any claims or liability arising directly or indirectly out of the acts or omissions of the LESSEE, the LESSEE's independent contractors, employees, representatives, agents, invitees and/or sublessee of the LESSEE, except for liability, claims or damages arising out of the sole active negligence or sole active misconduct on the part of LESSOR. The indemnification and hold harmless provision of this lease shall remain in full force and effect regardless of whether or not there shall be insurance policies covering and applicable to such damages, claims, and/or liability, and shall survive the termination of this lease.

18. 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 operations 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, in the event of default being not the appointment of a receiver at LESSOR's instance, 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 or 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 premises as required pursuant to the terms of this lease.

19. 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 as given to cure the default. For the cure of any other default, (unless otherwise provided herein) 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 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.

20. 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 giving of this notice, all LESSEE's rights 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 ten percent 10% 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.

E. 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 the 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 ten percent 10% 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 of the higher/lower of the fair rental value as then encumbered by the lease and improvements and the fair rental value encumbered 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 Banks of San Francisco at the time of the claim, judgment, or award, plus one percent.

F. 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 30 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.

21. 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 default in the payment of the particular rental payment.

22. 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

23. 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.

24. 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.

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

26. 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
 707 W. Acequia
 Visalia, CA 93291

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

Notice to LESSEE: Darrell Tunnell Co.
 Darrell Tunnell
 9519 Airport Drive

Visalia, CA 93277

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.

27. 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 of 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.

28. 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.

29. 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.

30 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.

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

32. 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.

33. 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.

34. 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.

35. 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.

36. **ACCEPTANCE OF DEMISED PREMISES** - By signing this Lease, LESSEE represents and warrants that LESSEE has independently inspected the Demised Premises and made all tests, investigations and observations necessary to satisfy itself of the condition of the Demised Premises. LESSEE agrees it is relying solely on such independent inspection, tests, investigations and observations in making this Lease. LESSEE further acknowledges that the Demised Premises are in the condition called for by this Lease, and that LESSEE does not hold LESSOR responsible for any defects in the Demised Premises.

37. **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 advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on such reading, inspection or advise.

38. **ABSTRACT OF LEASE** - This is the final paragraph and abstract of the Lease dated July 7, 2002, by and between the City of Visalia, LESSOR and Darrell Tunnell Co., LESSEE, concerning the Demised Premises described in Paragraph 1b. above.

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 (30) years, beginning on the 1st day of July, 2002 and ending on the 30th day of June, 2032.

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.

39. VENUE

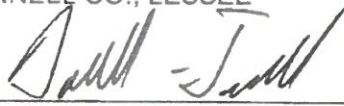
This contract is to be construed by the laws of the State of California with venue only in Tulare County, or the United States District Court for the Eastern District of California.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

DARRELL TUNNELL CO., LESSEE

Dated: 7/24/02, 2002

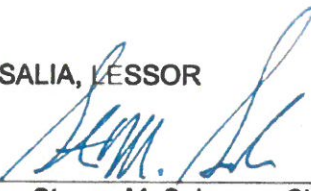
by:


Darrell Tunnell, Owner/Operator

CITY OF VISALIA, LESSOR

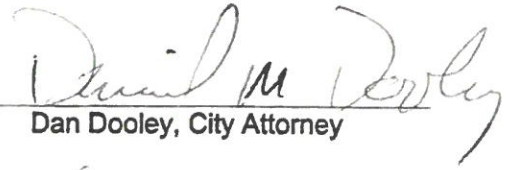
Dated: 7-24-02, 2002

by:


Steven M. Salomon, City Manager

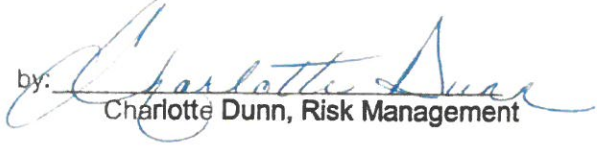
Dated: 7/13, 2002

by:


Dan Dooley, City Attorney

Dated: 7-18, 2002

by:


Charlotte Dunn, Risk Management