



ORIGINAL

Contract Number
22-153

SAP Number

Real Estate Services Department

Department Contract Representative	Terry W. Thompson, Director
Telephone Number	(909) 387-5000
Contractor	Threshold Technologies, Inc.
Contractor Representative	Mark Dilullo, CEO
Telephone Number	909-227-6294
Contract Term	08/01/2022 – 07/31/2032
Original Contract Amount	\$2,132,433
Amendment Amount	
Total Contract Amount	\$2,132,433
Cost Center	
GRC/PROJ/JOB No.	53002027
Internal Order No.	

Briefly describe the general nature of the contract: This is a 10-year revenue lease agreement with Threshold Technologies, Inc., for the period of August 1, 2022 through July 31, 2032, for Commercial Hangar No. 2, F-340, consisting of approximately 44,060 square feet of hangar space, 7,098 square feet of shop space, and 1,062 square feet of office space, at Chino Airport for the Department of Airports for total revenue in the amount of \$2,132,433.

FOR COUNTY USE ONLY

Approved as to Legal Form

► SEE SIGNATURE PAGE

Kristina Robb, Principal Assistant County Counsel


Date _____

Reviewed for Contract Compliance

►

Date _____

Reviewed/Approved by Department


Lyle Ballard, Real Property Manager, RESD

Date **7/21/22**

SAN BERNARDINO COUNTY

LEASE AGREEMENT

COUNTY: SAN BERNARDINO COUNTY
Department of Airports
777 East Rialto Avenue
San Bernardino, CA 92415-0831

TENANT: Threshold Technologies, Inc.

ADDRESS: 8352 Kimball Avenue. Bldg. F350 #3
Chino, CA 91708

AIRPORT: Chino Airport
7000 Merrill Avenue
Chino, CA 91710

PREMISES: Commercial Hangar No. 2 (F-340)
(As outlined in Exhibit "A" attached)

DOCUMENT NO. CNO-

LEASE REFERENCE DATE: June 2, 2022

REV. 05/06/2015

DATE TYPED: 10/11/2012

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**SAN BERNARDINO COUNTY
DEPARTMENT OF AIRPORTS**

**AIRPORT LEASE
DOCUMENT NO. CNO-**

In consideration of the mutual covenants contained in the Lease Agreement ("Lease") and for other good and valuation consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, COUNTY, as COUNTY, and TENANT, as TENANT, agree on the terms and conditions set forth in the Lease, which includes Section I – Basic Lease Provisions and Section II – Additional Lease Provision.

SECTION I – BASIC LEASE PROVISIONS

AIRPORT:	Chino Airport
DOCUMENT NO.:	CNO-
COUNTY:	San Bernardino County
COUNTY'S NOTICE ADDRESS:	San Bernardino County Department of Airports 777 East Rialto Avenue San Bernardino, California 92415-0831
LEASE REFERENCE DATE:	June 2, 2022
TENANT:	Threshold Technologies, Inc.
TENANT'S NOTICE ADDRESS:	8352 Kimball Avenue. Bldg. F330 #3 Chino, CA 91708
TENANT'S TELEPHONE NO.:	(909) 606-6319
TENANT'S FACSIMILE NO.:	(909) 606-2507
PREMISES:	Commercial Hangar No. 2 (F-340) (See Exhibit "A" for additional description.)
RENTABLE AREA OF PREMISES:	Consisting of approximately 44,060 square feet of hangar space and 7,098 square feet of shop space, and 1,062 square feet of office space known as F-340 (as outlined on Exhibit "A" attached).

SAN BERNARDINO COUNTY LEASE AGREEMENT

Basic Lease Provisions

USE

Tenant shall utilize the premises in the operation of its aircraft management, aircraft maintenance, repair, and overhaul (MRO) operations, aircraft painting, aircraft assembly and disassembly operations, aircraft parts storage, aircraft modification, aircraft charter, fixed base operations, and related aeronautical activities, including the sale of aircraft fuel and aircraft hangar storage and parking. Tenant shall not use the Premises for any purpose not set forth above without the prior written consent of the County. Tenant shall comply with all City, County, State, and Federal laws and regulations that are applicable to tenant's use of the Premises, including but not limited to any permits and certificates. Any required modifications or improvements to the Premises will be at the sole expense of the tenant.

COMMENCEMENT DATE:

August 1, 2022

TERM OF LEASE:

Ten (10) years from commencement date

TERMINATION DATE:

July 31, 2032 (unless terminated sooner pursuant to the terms of the Lease).

IMPROVEMENTS:

Tenant shall be responsible for all cost associated with any Improvements to the Premises and all building and other permits as maybe required by the City of Chino Planning and Safety Department, the Chino Valley Independent Fire Department, and all other local, state, and federal authorities or agencies for Tenant's permitted use of the Premises. All improvements must be approved in writing by COUNTY and comply with the requirements in Paragraph 11 of the Lease, and Tenant shall obtain and provide to COUNTY any and all necessary permits and proof of insurance for itself and its contractors prior to the commencement of any permitted Improvements.

RENT AND OTHER CHARGES:

- (a) Initial Minimum Monthly Rent: \$16,148.00
- (b) Commercial Charges and Fees: See attached Exhibit "C" and "C-1"
- (c) Commissions Payment: See attached Exhibit "C" and "C-1"
- (d) Monthly Water & Sewer Charge \$ 94.00 (\$47.00 water and \$47.00 sewer)

SAN BERNARDINO COUNTY LEASE AGREEMENT

Basic Lease Provisions

ADJUSTMENTS TO RENT AND OTHER CHARGES:

- (a) Waiver and Deferment of
Minimum Monthly Rent But Not
Other Charges:

Subject to the terms of this Lease: (a) Minimum Monthly Rent for the fixed period from August 1, 2022 to October 31, 2022 shall be waived to provide Tenant with a rent-free construction period for its approved improvements, provided that Minimum Monthly Rent shall commence as of November 1, 2022 regardless of the status of Tenant's construction; and (b) TTI further requests the Minimum Monthly Rent for the fixed period from November 1, 2022 to January 2023, in the total amount of \$48,444 to be deferred until August 1, 2023, at which time, Tenant shall, in addition to paying the Minimum Monthly Rent then due, pay a monthly installment of \$1,345.67 for the period from August 1, 2023 through July 31, 2026, which is calculated as \$48,444 amortized over the 36 months of said period, rounded up to the nearest whole dollar. No other charges due under this Lease shall be waived or deferred. All charges, as set forth in Exhibit "B" shall be due and payable, commencing as of August 1, 2022. (see Exhibit "B" for rent schedule).

- (b) Fixed Adjustment Date for
Minimum Monthly Rent:

The Minimum Monthly Rent shall be adjusted based on the following fixed increases through the initial term. No adjustment on August 1, 2023. Commencing on August 1, 2024 and on each subsequent August 1 during the remaining Term, including any extension thereof, the Minimum Monthly Rent shall increase by a fixed two percent (2%) of the Minimum Monthly Rent paid for the immediately preceding 12-month period as more specifically set forth in Exhibit "B". (See Exhibit "B" for rent schedule.)

SECURITY DEPOSIT:

\$16,148.00

**MINIMUM ASSIGNMENT/
SUBLETTING FEE:**

\$1,500.00, per each occurrence

OPTION TO EXTEND:

One (1) five-year option

GUARANTOR:

N/A

TENANT'S LENDER:

N/A

REAL ESTATE BROKER:

N/A

SAN BERNARDINO COUNTY LEASE AGREEMENT

Basic Lease Provisions

EXHIBITS

(Initial if Exhibit attached, or mark "not applicable")

"A"	Premises	Applicable
"B"	Computation of Rental Fees	Applicable
"C"	Commercial Charges and Fees	Applicable
"C-1"	Monthly Commercial Charges and Fee Statement	Applicable
"D"	Property Reappraisal Procedure	Not Applicable
"E"	Definition of Plans	Applicable
"F"	Working Plans, Specifications and Construction Plans	Applicable
"G"	Consent to Hypothecation	Not Applicable
"H"	Additional Lender Terms	Not Applicable
"I"	Guaranty of Lease	Not Applicable
"J"	List of Former County Officials	Applicable
"K"	Form of County Consent to Sublease	Applicable

SECTION II – ADDITIONAL LEASE PROVISIONS

1. **PREMISES.** COUNTY, in consideration of covenants and conditions herein set forth, hereby leases to TENANT and TENANT leases from COUNTY, in the condition existing at the inception of this Lease, the Premises. The Premises are more particularly described on Exhibit "A". The Premises are leased subject to all easements, reservations, restrictions, rights, and rights-of-way of record.

2. **USE.** TENANT shall use and occupy the Premises only for the Use set forth on the Reference Pages, and for no other purpose. TENANT shall not use or permit the use of the Premises in a manner that is unlawful or immoral, creates waste or a nuisance, or causes damage to the Premises or neighboring properties. TENANT shall not do or permit anything to be done in or about the Premises which will in any way obstruct, interfere, injure, annoy, or disturb the rights of other tenants, or occupants of the Airport, or visitors to the Airport. TENANT shall not sell or permit the sale of any alcoholic beverages from the Premises without the prior written consent of COUNTY. TENANT shall not store any of TENANT's personal property outside the buildings on the Premises without the prior written consent of COUNTY. If COUNTY authorizes TENANT to store property outside, said property will be stored in a neat and orderly manner. Unattractive and/or unsightly outside storage shall not be permitted in public view under any circumstances. TENANT shall comply with all laws, ordinances and regulations applicable to the use of the Premises, including the requirements of the Federal Aviation Administration, as may be amended. TENANT shall promptly comply with all governmental orders and directions for the correction, prevention and abatement of any violations in or upon, or in connection with Premises, at TENANT's sole expense. TENANT, by execution of this Lease, certifies that the Use specified herein is an aeronautical use as defined in the applicable Federal Aviation Administration regulations, rules and orders, including without limitation FAA Order 5190.6B, Airport Compliance Manual. TENANT may perform aircraft maintenance, repair, overhaul, aircraft painting, aircraft assembly and disassembly, aircraft parts storage, and aircraft modification provided that: (i) TENANT is properly licensed and permitted to do such aircraft maintenance, repair, overhaul, aircraft painting, aircraft assembly and disassembly, aircraft parts storage, and aircraft modification under current FAA regulations; (ii) such aircraft maintenance, repair, overhaul, aircraft painting, aircraft assembly and disassembly, aircraft parts storage, and aircraft modification is conducted so as not to create any hazard or nuisance to any other aircraft, person, or operator upon the Airport; (iii) such aircraft maintenance, repair, overhaul, aircraft painting, aircraft assembly and disassembly, aircraft parts storage, and aircraft modification is conducted in the Premises if said Premises is maintenance-rated or in an alternate location at the Airport approved by the Director, Airports Department. TENANT shall be responsible for any damage to the Premises or said approved alternate location at the Airport caused by the performance of such aircraft maintenance, repair, overhaul, aircraft painting, aircraft assembly and disassembly, aircraft parts storage, and aircraft modification, including without limitation, any Hazardous Substances contamination in, on, under, or about the Premises or the Airport.

3. **TERM.** The obligations of the Parties pursuant to this Lease shall commence on the Commencement Date stated in the Basic Lease Provisions to this Lease ("Commencement Date"), provided, however, that if the Commencement Date is not on the first day of the month, then the calculation of the Term of this Lease shall commence on the first day of the first full calendar month following the Commencement Date. The Lease shall terminate as provided in the Basic Lease Provisions, unless terminated sooner pursuant to the terms of the Lease.

4. **RENT.**

SECTION II – ADDITIONAL LEASE PROVISIONS

A. **Minimum Monthly Rent.** The Minimum Monthly Rent as of the Commencement Date is set forth on the Reference Pages. TENANT shall pay to COUNTY the Minimum Monthly Rent, in advance, without deduction, setoff, prior notice, or demand, on the first day of each month. The Minimum Monthly Rent shall be adjusted in accordance with Paragraph 5.A Annual Fixed Adjustment. Should this Lease commence on other than the first day of a calendar month, the Minimum Monthly Rent for that partial month shall be prorated based on a thirty (30) day month and shall be payable on the Commencement Date. The Minimum Monthly Rent shall be payable in advance.

B. **Commercial Charges and Commission Payments.** In addition to the Minimum Monthly Rent specified in Paragraph 4.A., TENANT shall pay COUNTY, the Commercial Charges and Commission Payments (hereinafter known as "Fees") as shown in Exhibit "C", as amended from time to time by any change to the COUNTY's Schedule of Fees, San Bernardino County Code, Section 16.0202, Airports. In the event the San Bernardino County Code does not set a fee for any item included in the Fees, the Director, Airports Department, (hereinafter "Director"), in his sole discretion, is authorized to reasonably modify such fees on an annual basis. Fees are payable monthly on the first day of the month, one month in arrears. TENANT shall keep and shall cause each of TENANT's subtenants conducting business at the Airport to keep, such accounting records required by law and such additional accounting records as may be necessary and appropriate to accurately compute the Fees. All such accounting records shall be open for inspection and audit by COUNTY during normal business hours. Failure by TENANT to keep and maintain such records and to make them available for inspection and audit by COUNTY shall be cause for termination and forfeiture of this Lease. TENANT shall complete and submit to COUNTY, no later than the fifth calendar day of each month during the Term, a Monthly Commercial Charges and Fee Statement in the form of Exhibit "C-1". Exhibit "C" shall be amended to reflect any change in the Fees.

C. **Monthly Water & Sewer Charges.** In addition to the Minimum Monthly Rent specified in Paragraph 4.A., TENANT shall pay COUNTY, the Monthly Water & Sewer Charge (hereinafter known as "Water & Sewer Charges") as shown in Exhibit "B". TENANT shall pay to COUNTY said charges, in advance, without deduction, setoff, prior notice, or demand, on the first day of each month. Should this Lease commence on other than the first day of a calendar month, the charges for that partial month shall be prorated based on a thirty (30) day month and shall be payable on the Commencement Date. The charges payable for the water and sewer are set by the COUNTY's Board of Supervisors and are subject to adjustment during the Term as determined by the COUNTY's Board of Supervisors. COUNTY shall provide TENANT with notice of any Board approved adjustments and TENANT shall thereafter pay the amount of such adjusted charges.

D. **Late Payment Fees and Interest.** TENANT acknowledges that TENANT's late payment of Minimum Monthly Rent, Water & Sewer Charges, or Fees to COUNTY will cause COUNTY to incur costs not contemplated by this Lease and that the exact amounts of such costs are extremely difficult and impracticable to fix. Such costs include, without limitation, administrative, processing, accounting, and interest charges. Therefore, if any installment of Minimum Monthly Rent, Water & Sewer Charges, or Fees is not received by COUNTY by the third day after the due date, TENANT shall pay to COUNTY a late payment charge equal to ten percent (10%) of the amount delinquent for each month or portion thereof that the payment remains delinquent commencing from the date the payment was due until such time as the overdue payment is made. The parties agree that this late charge represents a fair and reasonable estimate of the costs that COUNTY will incur by reason of TENANT's late payment. Acceptance of any late charge shall not constitute a waiver of TENANT's default with

SECTION II – ADDITIONAL LEASE PROVISIONS

respect to the overdue amount or prevent COUNTY from exercising any of the other rights and remedies available to COUNTY pursuant to this Lease or under any applicable law. **All late payments shall be made with certified funds and shall be credited in the following order: 1) to late payment charges, then 2) to the balance of the accrued Minimum Monthly Rent, Water & Sewer Charges, or Fees. If a late payment charge becomes payable for any three (3) installments of Minimum Monthly Rent, Water & Sewer Charges, or Fees within any twelve (12) month period, the Minimum Monthly Rent, Water & Sewer Charges, and Fees will automatically become payable quarterly in advance.**

E. **Place and Method of Payment.** All checks shall be made payable to: Airports Department, San Bernardino County and shall be submitted to: Airports Department, 777 East Rialto Avenue, San Bernardino, CA 92415-0831. The Document Number set forth on the first page is the account number for this Lease and must be noted on the front of the TENANT's check. The Minimum Monthly Rent, Monthly Water & Sewer Charges, Fees, and all other monetary obligations of TENANT pursuant to this Lease shall be paid in legal tender of the United States. **The COUNTY reserves the right to demand at any time that payment of Rent, the security deposit, and all other monetary obligations of TENANT hereunder be made with certified funds.**

F. **Amounts Owed Deemed Rent.** All monetary obligations of TENANT under the Lease, including but not limited to the Minimum Monthly Rent, Water & Sewer Charges, Fees, and any other monetary obligations shall be deemed rent ("Rent").

5. ADJUSTMENTS TO MINIMUM MONTHLY RENT.

A. **Annual Fixed Adjustment.** The Minimum Monthly Rent established by Paragraph 4.A., shall be subject to a fixed adjustment of approximately two percent (2%) on the date defined in the Basic Lease Provisions as the Annual Fixed Adjustment Date and on the anniversary of that date ("Annual Fixed Adjustment Date") each and every year thereafter.

B. **Amendment of Lease.** This Lease shall automatically reflect a fixed adjustment amount of approximately two percent (2%) to the Minimum Monthly Rent and the new Minimum Monthly Rent shall be the basis used to compute the next subsequent adjustment to the Minimum Monthly Rent as such new Minimum Monthly Rent is more specifically set forth in Exhibit B.

6. SECURITY DEPOSIT.

A. Prior to the Commencement Date of this Lease, TENANT shall pay to COUNTY, or as permitted by the Director, a deposit in the amount set forth on the Basic Lease Provisions as TENANT's Security Deposit. The Security Deposit shall be deposited in an interest-bearing deposit account in the name of COUNTY. The Security Deposit shall secure TENANT's faithful performance of TENANT's obligations under this Lease. The Director may, in his sole discretion, accept substitute security under such terms and conditions as the Director determines, in lieu of the deposit mentioned in this paragraph.

B. If TENANT fails to pay the Minimum Monthly Rent, Water & Sewer Charges, Fees, or any other amount which TENANT is obligated to pay pursuant to this Lease or defaults on the performance of any of the terms, provisions, covenants and conditions contained in this Lease, COUNTY may withdraw the Security Deposit from the deposit account and use, apply, or retain the whole or any part of the Security Deposit for the payment of any

SECTION II – ADDITIONAL LEASE PROVISIONS

amount in default or for any other sum which the COUNTY may spend or be required to spend by reason of TENANT's default. The Security Deposit or any balance of the Security Deposit remaining shall be returned to TENANT at the termination or expiration of the Term, less any accrued or accruing interest. COUNTY may require, at any time, that the Security Deposit be increased in proportion to the amount of any increase in the Minimum Monthly Rent. In the event COUNTY uses part or all of the Security Deposit as provided herein, TENANT shall replenish the amount used by COUNTY within ten (10) days of TENANT's receipt of written notice from COUNTY.

7. **INSURANCE.**

A. **Basic Insurance Requirements.** Without in any way affecting TENANT's obligation to defend and indemnify COUNTY as herein provided, and in addition thereto, TENANT shall secure and maintain the following types of insurance, with the following minimum limits throughout the Term of this Lease:

1. **Real Property Insurance.** Coverage for all buildings and improvements (whether built by TENANT or COUNTY) against loss or damage by fire, lightning, vandalism, malicious mischief, or earthquake, in an amount equal to the full replacement value of such buildings and improvements. If the buildings and improvements at the Premises are owned by COUNTY or COUNTY and TENANT, any loss payable under such policies shall be paid to COUNTY. If the buildings and improvements at the Premises are owned exclusively by TENANT, then TENANT, or TENANT's Lender, if applicable, shall be the loss payee on such policies. All proceeds from any loss covered by said policy shall first be used to repair and restore the buildings and improvements at the Premises in accordance with Paragraph 15. COUNTY shall have discretion not to repair or restore the buildings or improvements if cost of repair is greater than 60% of the most recent appraisal value of the Premises or where the buildings or improvements are 60% or more destroyed or made unusable and irreparable. COUNTY has the right, in all instances, to all insurance proceeds.

2. **Comprehensive General and Automobile Liability Insurance.**
(i) Comprehensive General Liability Insurance – TENANT shall carry general liability insurance covering all operations performed by or on behalf of the TENANT providing coverage for bodily injury and property damage with a combined single limit of not less than One Million and 00/100 Dollars (\$1,000,000.00) per occurrence. The policy shall include (a) Premises operations and mobile equipment; (b) products and completed operations; (c) board form property damage [including completed operations], (d) personal injury; (e) contractual liability; and (f) Two Million and 00/100 (\$2,000,000.00) general aggregate limit; and (ii) Automotive Liability Insurance - This policy to include contractual and automobile liability coverage for owned, hired and non-owned vehicles with combined single limits for bodily injury and property damage of not less than One Million and 00/100 Dollars (\$1,000,000.00) per occurrence, with a two million dollars (\$2,000,000) general aggregate limit.

3. **Workers' Compensation Insurance.** Workers' compensation insurance or a state-approved self-insurance program in an amount and form to meet all applicable requirements of the Labor Code of the State of California, including Employer's Liability Insurance with a limit of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00), covering all persons providing services on behalf of the TENANT and all risks to such persons under this Lease.

SECTION II – ADDITIONAL LEASE PROVISIONS

4. **Environmental Liability Insurance.** Environmental liability insurance with a combined single limit of not less than Five Million and 00/100 Dollars (\$5,000,000.00) per occurrence.

5. **Contents Insurance.**

a. Fire insurance and extended peril coverage insurance with limits adequate to cover full cash value of TENANT's personal property and improvements located on the Premises AND

b. Fire Legal Liability Insurance adequate to cover the full replacement cost value of the COUNTY's structures and property.

6. **Rental Value.** Insurance against the loss of the full rental and other charges and fees payable by TENANT for one year. Said policy shall be in the name of the COUNTY, with loss payable to COUNTY.

B. **Special Insurance Requirements.** In addition to the insurance requirements set forth in Paragraph 7.A., TENANT shall maintain the following types of insurance with the following minimum limits, if applicable to TENANT's use of the Premises, as indicated below.

1. If TENANT stores, repairs, or provides any service to aircraft utilizing the Airport, then TENANT shall maintain **Hangar Keeper's Insurance** in such amounts as may be required to cover all aircraft hangared for others.

2. If TENANT owns, manages, or operates aircraft utilizing any COUNTY owned or managed Airport, then TENANT shall maintain **Aircraft Liability Insurance** with combined single limits of not less than One Million and 00/100 Dollars (\$1,000,000.00) for bodily injury (including passengers), death and property damage; and

3. If TENANT manufactures, assembles, fabricates, or installs any goods at the Premises, TENANT shall maintain the **Products and Completed Operations Liability Insurance** with combined single limits for bodily injury, death, and property damage of not less than One Million and 00/100 Dollars (\$1,000,000.00).

4. If TENANT constructs any improvements on or about the Premises, TENANT shall, provide or cause TENANT's contractor or subcontractors to furnish **Builders All-Risk Insurance** covering the entire building or improvements against loss or damage from the commencement of construction until completion. The Builder's All-Risk Insurance shall be in an amount for the replacement value of the subject building and improvements and endorsed for broad form property damage, breach of warranty, and explosions, collapse, and underground hazards. The Deductible amount on the Builder's All-Risk Insurance shall not exceed five percent (5%) of the construction cost.

C. **Required Policy Provisions.** Each of the insurance policies which TENANT is required to procure and maintain as part of this Lease shall include the following provisions:

1. Additional Named Insured: All policies, except for the Workers' Compensation Insurance, shall contain additional insured endorsements naming the COUNTY

SECTION II – ADDITIONAL LEASE PROVISIONS

and its officers, employees, agents and volunteers, and TENANT's LENDER (as hereinafter defined in Paragraph 11.E.), if any, as additional named insured with respect to claims arising out of TENANT's use and the occupancy of the Premises. The additional insured endorsements shall not limit the scope of coverage for the COUNTY to vicarious liability but shall allow coverage for the COUNTY to the full extent of the policy. Such additional insured coverage shall be at least as broad as Additional Insured (Form B) endorsement form ISO CG 2010.11 85. COUNTY shall have no liability for any premiums charged for such additional insured coverage and the inclusion of COUNTY as an additional named insured is not intended to and shall not make COUNTY a partner or joint venturer with TENANT in TENANT's operations at Airport.

2. **Waiver of Subrogation Rights:** TENANT shall require the insurance carriers on each of the foregoing policies to waive all rights of subrogation against COUNTY, its officers, employees, agents, volunteers, contractors, and subcontractors. All general and automobile liability insurance coverage provided shall not prohibit TENANT and/or TENANT's employees or agents from waiving the right of subrogation prior to a loss or claim. TENANT hereby waives all subrogation rights against the COUNTY.

3. **Policies Primary and Non-Contributory:** All required policies are to be primary and non-contributory with any insurance or self-insurance programs carried or administered by the COUNTY.

4. **Severability of Interests:** TENANT agrees to ensure that coverage provided to meet the insurance requirements herein is applicable separately to each insured and there will be no cross-liability exclusions that preclude coverage for suits between the TENANT and COUNTY or between the COUNTY and any other insured or additional insured under the policy.

5. **Deductibles and Self-Insured Retention:** Any and all deductibles or self-insured retentions in excess of \$10,000 shall be declared to and approved, in its sole discretion, by the COUNTY's Department of Risk Management.

D. Insurance Policies and Proof of Coverage. All insurance required pursuant to this Lease shall be with carriers duly licensed to transact business in the State of California and maintaining during the applicable policy term a "General Policyholder's Rating" of at least A, VII, in the most current issue of "Best's Insurance Guide." TENANT shall furnish certificates of insurance to the COUNTY, evidencing all of the required insurance coverage, including endorsements, prior to the Commencement Date, which certificates shall provide that such insurance shall not be terminated or expire without thirty (30) days written notice to the COUNTY. TENANT shall maintain all of the required insurance from the Commencement Date until the completion of TENANT's occupancy of the Premises. TENANT shall furnish certified copies all insurance policies and all endorsements within thirty (30) days of the Commencement Date.

E. Right to Review and Alter Insurance Requirements. The foregoing insurance requirements are subject to periodic review by the COUNTY. The Director of Risk Management or designee is authorized, but not required, to reduce or waive any of the above insurance requirements whenever the Department of Risk Management determines that any of the required insurance is not available, is unreasonably priced, or is not needed to protect the interests of the COUNTY. If the Department of Risk Management determines that any additional or different insurance is required to adequately protect the interests of COUNTY, or,

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that heretofore unreasonably priced or unavailable types of insurance coverage or coverage limits become reasonably priced or available, Director of Risk Management or designee is authorized to change the foregoing insurance requirements, require additional types of insurance coverage, or require higher coverage limits. Any change in insurance requirements must be reasonable in light of TENANT's permitted use of the Premises, past claims against the COUNTY, inflation, or any other item reasonably related to the COUNTY's risk. Any reduction or waiver of the required insurance, as well as any change requiring additional or different types of insurance coverage or higher coverage limits, must be memorialized by a written amendment to this agreement. TENANT agrees to execute any such amendment within thirty (30) days of receipt.

F. **Adequacy of Insurance Coverage.** COUNTY makes no representation that the limits of liability specified in this Paragraph 7 are adequate to protect TENANT's interests. In the event TENANT believes that such insurance coverage is insufficient, TENANT shall provide, at TENANT's sole cost and expense, such additional insurance as TENANT deems adequate. In no event shall the limits of any coverage maintained by TENANT pursuant to this Lease limit TENANT's liability under this Lease.

G. **Failure to Procure or Maintain Insurance.** All insurance required as part of this Lease must be maintained in force at all times by TENANT. Failure to maintain said insurance, due to expiration, cancellation, or for any other reason shall be cause for COUNTY to direct TENANT to immediately suspend all business activities at the Airport. Failure to reinstate said insurance within ten (10) days of TENANT's receipt of COUNTY's notice shall be cause for termination and forfeiture of this Lease. Alternatively, COUNTY, in COUNTY's sole discretion and without any obligation to do so, may procure or renew such insurance and pay any and all premiums in connection therewith. All monies paid by COUNTY on account of insurance coverage which TENANT is obligated to procure and maintain pursuant to this Lease, shall be paid by TENANT to COUNTY within ten (10) days of TENANT's receipt of COUNTY's written demand, regardless of whether COUNTY could withdraw such sums from the TENANT's Security Deposit. If paid at a later date, such sums shall bear interest at the maximum rate the COUNTY is permitted by law to charge from the date the sum was paid by COUNTY until COUNTY is reimbursed by TENANT. The remedies set forth in this paragraph are in addition to and do not in any manner limit other remedies set forth in particular paragraphs of this Lease.

H. **Liability for Premiums.** COUNTY shall have no liability for any premiums charged for such coverage(s). The inclusion of COUNTY as additional named insured is not intended to and shall not make COUNTY a partner or joint venturer with TENANT in TENANT's operations at Chino Airport.

8. **HOLD HARMLESS.** TENANT agrees to indemnify, defend (with counsel reasonably approved by COUNTY) and hold harmless the COUNTY and its authorized officers, employees, agents and volunteers, from any and all claims, actions, losses, damages, and/or liability arising out of this Lease or occurring on or about the Premises from any cause whatsoever, including the acts, errors or omissions of any person and for any costs or expenses incurred by the COUNTY on account of any claim except where such indemnification is prohibited by law. This indemnification provision shall apply regardless of the existence or degree of fault of indemnitees. The TENANT's indemnification obligation applies to the COUNTY's "active" as well as "passive" negligence but does not apply to the COUNTY's "sole negligence" or "willful misconduct" within the meaning of Civil Code Section 2782.

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9. **EXEMPTION OF COUNTY FROM LIABILITY.** COUNTY shall not be liable for any injury or damage to the person or property of TENANT, TENANT's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects in pipes, fire sprinklers, wires, appliances, plumbing systems, fixtures, air conditioning systems or lighting fixtures, or from any other cause, whether said injury or damage results from conditions arising upon the Premises or upon other portions of the Airport of which the Premises are a part or from other sources or places. COUNTY shall not be liable for any damages arising from any act or neglect of any other tenant at the Airport or from COUNTY's failure to enforce the provisions of any other lease at the Airport. COUNTY shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or any other damage arising out any events that occur at the Airport, including but not limited to any air shows, air faires, display shows or other events. Notwithstanding COUNTY's negligence or breach of this Lease, COUNTY shall not be liable for any injury to TENANT's business or any loss of income or profit therefrom, or for any consequential damages allegedly sustained by TENANT.

10. **TAXES, ASSESSMENTS AND LICENSES.** TENANT shall pay before delinquency any and all property taxes, assessments, fees, or charges, including but not limited to possessory interest taxes, which may be levied or assessed upon any personal property, improvements or fixtures installed or belonging to TENANT and located in or about the Premises. TENANT recognizes and understands that this Lease may create a possessory interest subject to property taxation and that the TENANT is obligated to pay and discharge such taxes. TENANT shall also pay all license or permit fees necessary or required by law for the conduct of TENANT's business or operation.

11. **IMPROVEMENTS.** TENANT may construct buildings or other improvements upon the Premises, or may alter, improve or modify the existing buildings and improvements situated at the Premises ("Improvements"), provided that said Improvements shall be approved, at COUNTY's sole discretion, in writing by COUNTY prior to the commencement of any work and provided further that all Improvements are completed in: (i) accordance with the plans and specifications (as defined on Exhibit "E") approved by COUNTY, (ii) a good and workmanlike manner, (iii) conformity with all county, city, state and federal regulations, any and all applicable permits and the Master Plan for the Airport. TENANT shall provide COUNTY with not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises so that COUNTY, at COUNTY'S option, may post a Notice of non-Responsibility as provided by law. All work shall be completed by duly licensed and insured contractors, which contractors shall be acceptable to COUNTY. COUNTY makes no representation with respect to the applicability of public bidding procedures or requirements for the payment of prevailing wages hereunder. In the event TENANT contracts for the construction of any Improvements, TENANT shall comply with the applicable provision of the California Public Contract Code 22000 through 22045 regarding bidding procedure and Labor Code Section 1720.2 and 1170 et seq. regarding general prevailing wages. TENANT shall indemnify and hold harmless COUNTY and its officers, employees, agents, and volunteers from any claims, actions, losses, damages, and/or liability arising out of the obligations set forth herein. TENANT's indemnity obligation shall survive the TENANT's tenancy and shall not be limited by the existence or availability of insurance. All approvals required by COUNTY in this paragraph, including all sub-paragraphs, shall be granted, or denied in COUNTY's sole discretion.

A. **Utilities and Utility Installations.**

SECTION II – ADDITIONAL LEASE PROVISIONS

1. **Utility Plans.** Upon TENANT's request, the COUNTY will provide TENANT or TENANT's architect with a plan showing the approximate location of known utility lines on or about the Premises ("Utility Plans"). TENANT understands that Utility Plans show only the approximate location of the utility lines at the Airport and that the Utility Plans are furnished to TENANT without any warranty or representation as to completeness or accuracy. COUNTY's delivery of the Utility Plans to TENANT shall not relieve TENANT of TENANT's affirmative obligation to locate all utilities and TENANT agrees that TENANT shall be responsible for determining the actual location of all utility lines.

2. **Utility Installations.** After obtaining COUNTY's consent and approval TENANT may extend any utility lines serving the Premises to the COUNTY approved points on the Premises. TENANT may also install such distribution panels and equipment; meters and other facilities and equipment as may be reasonably required to connect to the utilities serving the Premises ("Utility Installations"). TENANT agrees that all Utility Installations shall be constructed in accordance with provisions of this paragraph and that TENANT shall pay all costs associated with such Utility Installations, including but not limited to the extension and connection of said utilities. As additional consideration for this Lease, TENANT agrees that all extended Utility Installations shall become the COUNTY's property upon completion of the extension work. TENANT shall execute any documentation necessary to transfer the Utility Installations to the COUNTY. COUNTY shall not be required to reimburse TENANT for the cost of any of the foregoing work.

B. **Plans and Specifications.** Prior to the commencement of any construction at the Premises, TENANT shall provide COUNTY with a complete set of Working Plans and Specifications in compliance with Exhibit "E", for the proposed Improvements to the Premises and a proposed schedule for the construction of said improvements. COUNTY's review of TENANT's plans and specifications, as well as COUNTY's consent to the construction of the proposed Improvements, shall not constitute a representation of the adequacy of the plans or specifications or expose COUNTY to any liability. The Working Plans, Specifications and Construction Schedule prepared by TENANT and approved by COUNTY shall be attached to this Lease as Exhibit "F", Working Plans, Specifications and Construction Schedule. TENANT shall construct on the Premises, only those improvements shown on the Construction Plans. Said Construction Plans shall be the master plan for development of the Premises. All improvements and facilities depicted on the Construction Plans shall be constructed and completed within the time set forth on the construction schedule approved by COUNTY. Upon the completion of the construction of the improvements, TENANT, at its sole cost, shall prepare as-built plans for the Improvements and shall give three (3) copies of each as-built plan to COUNTY.

C. **Performance and Payment Bonds.** As a condition of COUNTY's consent to TENANT's proposed construction of any Improvements at the Premises, TENANT shall furnish a performance bond and a labor and material (payment) bond (if applicable to TENANT's requested improvements) to COUNTY prior to the Commencement of any construction. The bonds shall be issued by a surety qualified to do business in the State of California and shall be in an amount equal to one hundred percent (100%) of the estimated cost of construction. The bonds shall also name COUNTY as obligee and shall provide that in the event TENANT does not complete the proposed construction in accordance with the Construction Plans and/or Construction Schedule, the surety shall complete the construction or at COUNTY's option and upon COUNTY's demand shall return the parcel to grade. The Director is authorized, but not required, to accept substitute security under such terms and

SECTION II – ADDITIONAL LEASE PROVISIONS

conditions as the Director determines, in lieu of the above performance, and labor and material bonds described in this paragraph.

D. **Cost of Construction.** All costs of construction shall be the sole responsibility of TENANT and shall be paid by TENANT when due. The TENANT shall conduct any construction program in such a manner so that no mechanic's liens or materialmen's liens shall be asserted, or purportedly asserted, against the Premises or any improvements thereon. If any such lien shall be asserted, TENANT shall indemnify, defend, and hold harmless COUNTY and the Premises in accordance with Paragraph 8, HOLD HARMLESS, of this Lease. If requested by COUNTY, in COUNTY's sole discretion, TENANT shall post a surety bond to release the Premises from any mechanic's liens recorded against the Premises. Said bond shall be issued by a surety qualified to do business in California and shall be in an amount prescribed by law.

E. **Construction Financing.** As part of the construction of the Improvements at the Premises, TENANT may encumber its leasehold interest in the Premises to a Lender furnishing construction financing to TENANT (or permanent financing to reimburse TENANT for the costs of construction), provided that COUNTY has consented to such encumbrance by executing a Consent of Hypothecation (the "County Consent"). The County Consent shall be in the form attached hereto as Exhibit "G", Consent to Hypothecation. The term "Approved Encumbrance" shall mean an encumbrance approved by the COUNTY by way of a County Consent. The term "LENDER" shall mean the owner and holder of an Approved Encumbrance.

1. Upon default by TENANT under any of the terms of an Approved Encumbrance, the LENDER may exercise any rights provided in such Approved Encumbrance, provided that before any sale of TENANT's leasehold interest, whether under power of sale or foreclosure, the LENDER shall give to COUNTY notice of the same character and duration as is required to be given to TENANT by the terms of the encumbrance or the laws of the State of California.

2. If any default shall continue after the giving of such notice, COUNTY, prior to sale of the leasehold, shall have the right to correct such default and initiate an action under Paragraph 21, DEFAULT AND RIGHT TO TERMINATE, to terminate this Lease. COUNTY shall pay to LENDER an agreed amount or the amount of principal, accrued interest and other charges which remain unpaid upon any termination pursuant to this paragraph in exchange for deed of clear title.

3. If a sale or foreclosure under an Approved Encumbrance occurs or if the LENDER acquires the leasehold by assignment in lieu of foreclosure, said purchaser or assignee, as a successor in interest to TENANT, will be bound by all the terms of this Lease and will assume all the obligations of TENANT hereunder. Any acquisition of the leasehold interest by a party other than LENDER (whether by purchase at judicial foreclosure proceedings, trustee's sale, or upon assignment from LENDER) shall be subject to COUNTY's written approval and provided that the proposed transferee's overall financial position is substantially as strong as TENANT's financial position as of the Commencement Date. Upon COUNTY'S approval of such transferee, LENDER shall no longer be liable for the performance of any of TENANT's obligations under this Lease and the transferee shall become the TENANT hereunder.

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4. Any other terms applicable to any Approved Encumbrance which are acceptable to COUNTY, and which are to be part of this Lease shall be attached to this Lease as Exhibit "H," Additional Lender Terms.

F. **Ownership of Improvements and Alterations.** All improvements and alterations constructed by TENANT on or about the Premises shall be the property of and owned by TENANT during the Term of this Lease, but shall, at the option of the COUNTY, be considered to be improvements to real property and shall become the property of COUNTY at the termination of this Lease, the expiration of the current term of the lease, or as otherwise provided herein. COUNTY may require the TENANT to remove, at any time, all or any part of any alterations or improvements made without COUNTY's consent.

12. MAINTENANCE OF PREMISES.

A. **Tenant's Obligation.** TENANT shall, at TENANT's sole cost and expense and at all times, keep the Premises and every part thereof in good order, condition and repair (whether or not such portion of the Premises requiring repair, or the means of repairing the same, are reasonably or readily accessible to TENANT, and whether or not the need for such repairs occurs as a result of TENANT's use, any prior use, the elements or the age of the Premises). Without limiting the generality of the foregoing, TENANT shall maintain all equipment or facilities specifically serving the Premises, such as restrooms, plumbing, , electrical, lighting facilities, floors, walls, office space, interior improvements, boilers, fired or unfired pressure vessels, and ramp areas, but excluding any items which are the responsibility of COUNTY to maintain pursuant to Paragraph 12.B. below. TENANT's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon in good order, condition and state of repair. TENANT, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices. If the sewer lines and water lines serving the Premises and maintained by TENANT are causing problems with the main lines, COUNTY reserves the right to assume the maintenance of said lines and invoice TENANT for the cost of such maintenance. TENANT agrees to reimburse COUNTY for all costs incurred by COUNTY in connection with the maintenance of TENANT's sewer and/or water lines within ten (10) days of COUNTY's demand. Should TENANT fail to perform any of TENANT's maintenance obligations, COUNTY may enter upon the Premises, after ten (10) days' prior written notice to TENANT (except in the case of an emergency, in which case no notice shall be required), and perform such obligations on TENANT's behalf. If COUNTY performs any of TENANT's maintenance obligations, such maintenance shall be at TENANT's sole cost and expense and TENANT shall reimburse COUNTY for all costs incurred by COUNTY within ten (10) days of COUNTY's demand. TENANT acknowledges that the Premises are located at an airport and that the control of potential damage to aircraft utilizing the Airport ("Foreign Object Damage") is of utmost importance. TENANT, in performing TENANT's maintenance obligations, shall maintain the Premises and implement such maintenance procedures as are required to eliminate the risk of Foreign Object Damage. TENANT shall not maintain or repair the automated hangar doors without the express written consent of COUNTY'S Director of the Real Estate Services Department. Nothing herein is intended to preclude TENANT from securing and/or closing the hangar doors in the event of an emergency. In the event the automated hangar doors fail to operate for any reason other than an emergency, TENANT shall first notice the COUNTY's Real Estate Services Department and COUNTY shall repair the automated hangar doors in a commercially reasonable time. COUNTY's Director of the Real Estate Services Department may authorize TENANT, in writing, to repair inoperable automated hangar doors, which authorization shall not be unreasonably withheld or delayed if COUNTY is unable to make such repairs within a commercially reasonable time.

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B. **County's Obligation.** COUNTY shall maintain all common areas including access routes to the Premises, COUNTY's water mains and main sewer lines (up to the point of connection to the Premises). COUNTY shall maintain the COUNTY owned heating, ventilation and air conditioning systems ("HVAC Systems") for HVAC Systems at the Premises. County shall be responsible for maintenance and repairs to the compressed air system, fire suppression system, and for maintenance and repairs of the roof and automated hangar doors related to Commercial Hangar 2. COUNTY shall maintain the automated hangar doors to a commercially reasonable standard of operation, but in no event less than any applicable FAA standard or requirement. COUNTY shall be excused from its repair obligations hereunder arising from the acts, omissions, negligence, and/or willful misconduct of the TENANT, its employees, contractors, agents, invitees or anyone under its control with respect to each of the foregoing's use and operation of the HVAC Systems, compressed air system, fire suppression system, roof, automated hangar doors, all common areas serving the Premises and COUNTY's water mains and main sewer lines (up to the point of connection to the Premises).

C. **Surrender and Restoration of the Premises.** TENANT shall surrender the Premises at the end of the last day of the Term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted. Ordinary wear and tear shall not include any damage or deterioration that could have been prevented by good maintenance practice or by TENANT performing all of its obligations under this Lease. TENANT's obligation shall include the repair of any damage occasioned by the installation, maintenance or removal of TENANT's trade fixtures, furnishings, equipment, as well as the removal of any storage tank installed by or for TENANT, and the removal, replacement, or remediation of any soil, material or ground water contaminated by TENANT, all as may then be required by any applicable law, ordinance, or regulation and/or good practice.

D. **Utilities.** TENANT understands and agrees that provision of all utilities, including but not limited to, electrical, water, gas, telephone, refuse collection, sewage disposal, etc., shall be the responsibility of the TENANT, and payable directly to the utility or service provider. TENANT shall coordinate all utility connections with COUNTY, and TENANT shall assume all costs involved with said connections, all costs for services thereafter and maintenance within the Premises. Notwithstanding anything to the contrary in the foregoing, water and sewer charges for the Premises shall be paid to COUNTY in the amount set forth in Exhibit "B".

13. ASSIGNMENT AND SUBLETTING.

A. **County's Consent Required.** TENANT shall not voluntarily or by operation of law, assign TENANT's interest in this Lease, in the Premises or in any options contained in this Lease, nor sublease, all or any part of the Premises, nor allow any other person or entity (except TENANT's authorized representatives) to occupy or use all or any part of the Premises, without first obtaining COUNTY's written consent, substantially in the form of Exhibit "K" attached hereto and incorporated herein by reference, and TENANT's payment of the Minimum Assignment/Subletting Fee as set forth in the Basic Lease Provisions. Except as provided in Paragraph 11, IMPROVEMENTS, TENANT shall not encumber TENANT's interest in this Lease or the Premises. Any assignment, sublease or encumbrance without COUNTY's consent shall be voidable and, at COUNTY's election, shall constitute a default under this Lease. COUNTY's consent to any assignment, sublease or encumbrance shall not constitute a waiver of COUNTY's right to require consent to any subsequent assignment or sublease. For the purposes of this paragraph, the following events shall be deemed to be an assignment requiring COUNTY's prior written consent:

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1. If TENANT is a partnership, a withdrawal or change, voluntary, involuntary, or by operation of law, of any partner, or the dissolution of the partnership, will be deemed a voluntary assignment.

2. If TENANT consists of more than one person, a purported assignment, voluntary, involuntary, or by operation of law, from one person to any other will be deemed a voluntary assignment.

3. If TENANT is a corporation, any dissolution, merger, consolidation, or other reorganization of TENANT, or the sale or other transfer of a controlling percentage of the capital stock of TENANT, or the sale of more than fifty percent (50%) of the value of the assets of TENANT, will be deemed a voluntary assignment. The phrase "controlling percentage" means the ownership of and the right to vote stock possessing more than fifty percent (50%) of the total combined voting power of all classes of TENANT's capital stock issued, outstanding, and entitled to vote for the election of directors. This paragraph will not apply to corporations the stock of which is traded through an exchange or over the counter.

4. If TENANT is a limited liability company, any change in membership or designation of the primary contact person shall be deemed a voluntary assignment.

5. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of TENANT shall constitute an assignment requiring COUNTY's consent; and (2) the involvement of TENANT or TENANT's assets in any transaction, or series of transactions (whether by way of merger, sale, acquisition, financing, transfer, or otherwise) which results or which will result in a reduction of a TENANT's Net Worth, (as hereinafter defined), by an amount equal to or greater than twenty-five percent (25%) of TENANT's Net Worth as of the Commencement Date, or as of the date of the most recent assignment to which COUNTY has consented, or which exists immediately prior to said transaction or transactions, shall be considered an assignment of this Lease by TENANT and requiring COUNTY's consent. For the purposes of this Lease, the term "Net Worth" shall be the Net Worth of TENANT established under generally accepted accounting principles consistently applied.

B. Terms and Conditions Applicable to Assignment and Subletting.
The following provisions shall apply to any sublease or assignment pursuant to this Lease:

1. Irrespective of COUNTY's consent, any assignment or sublease shall not: (i) be effective without the express written assumption by such assignee or sublessee of all of TENANT's obligations under this Lease; (ii) release TENANT of any of its obligations hereunder; (iii) alter the primary liability of TENANT for the payment of the Minimum Monthly Rent, Water & Sewer Charges, Fees, and other sums due COUNTY pursuant to this Lease or for the performance of any of TENANT's other obligations under this Lease; nor (iv) alter, discharge or release the liability of any Guarantor on this Lease.

2. Each request for consent to an assignment or sublease shall be in writing, and shall be accompanied by the following: (i) an assignment or sublease agreement in a form acceptable to the COUNTY, (ii) a certification by TENANT of all rents or consideration to be paid to TENANT by the assignee or sublessee, (iii) a current credit report of the assignee or sublessee, including credits reports for each of its principals, (iv) the three most recent years of financial statements of the proposed assignee or sublessee (v) information related to the responsibility and appropriateness of the proposed assignee or sublessee; and (vi) information

SECTION II – ADDITIONAL LEASE PROVISIONS

related to the intended use of the Premises by the proposed assignee or sublessee. TENANT agrees to pay the Minimum Assignment/Subletting Fee as stated in the Basic Lease Provisions and all other costs incurred by COUNTY in reviewing TENANT's request and to provide COUNTY with such other and/or additional information and/or documentation as COUNTY may reasonably require in connection with TENANT's request.

3. As a further condition to COUNTY giving its consent to any assignment or sublease, COUNTY may at its sole discretion require that one hundred percent (100%) of all rent or consideration received by TENANT from its assignees or subtenants in excess of the Minimum Monthly Rent payable by TENANT to COUNTY under this Lease shall be paid to COUNTY, and if the TENANT sublets only a portion of the Premises, that the foregoing adjustment shall be applicable only to the portion of the Premises utilized by subtenant. TENANT shall pay said amount to COUNTY in accordance with Section 4, RENT, hereof.

4. COUNTY may require TENANT to increase the amount of the Security Deposit set forth on the Basic Lease Provisions as part of COUNTY's consent to any assignment or subletting. TENANT agrees to execute an amendment confirming the adjustment to the Minimum Monthly Rent or increase of the Security Deposit as part of COUNTY's consent to any assignment or sublease.

5. Without limiting the other instances in which it may be reasonable for COUNTY to withhold its consent to an assignment or sublease request, it shall be deemed reasonable for COUNTY to withhold its consent if any one or more of the following conditions exist: (i) TENANT is in default of the Lease at the time consent is requested; (ii) the net worth of the proposed assignee or sublessee at the time consent is requested is not at least as great as the net worth of the TENANT as existed at the initial Commencement Date of the Lease; (iii) the creditworthiness of the proposed assignee or sublessee at the time consent is requested is not at least as good as the creditworthiness of the TENANT as existed at the initial Commencement Date of the Lease; (iv) the proposed assignee or sublessee does not have the financial strength, stability, nor ability to perform all obligations of TENANT under this Lease; (v) the years and type of business experience of the proposed transferee at the time consent is requested is not as great as years and type of business experience as the TENANT as of the date consent is requested; (vi) the proposed assignee or sublessee is in default of any lease, license, permit, use or other agreement between said proposed assignee or sublessee and County at the time consent is requested or has a history of defaults or violations at the Airport at the time consent is requested; (vii) the proposed assignee or sublessee is not in County's reasonable opinion of reputable or good character or consistent with County's desired tenant mix for the Airport; (viii) the proposed transferee's use is not permitted by this Lease; (ix) the proposed use will increase the density of occupancy of the Premises or increase the amount of pedestrian and vehicular traffic at the Premises or the Airport; (x) the proposed use will not require tenant improvements incompatible with then-existing Building systems and components; (xi) the proposed use will result in significant increase in the use of the parking areas by the assignee or sublessee's employees or visitors, and/or significantly increase the demand upon utilities and services to be provided by County under the Lease; (xii) the proposed use will increase the likelihood of damage or destruction to the Premises; and (xiii) in the event of a sublease, the portion of the Premises to be subleased results in an irregular shape or does not have adequate means of ingress and egress or will result in more than one sublease in effect at the Premises. The burden of demonstrating to the County's satisfaction that any one or more of the foregoing conditions do not exist shall be on TENANT.

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C. **Assignment of Rents.** TENANT irrevocably assigns to COUNTY, as security for TENANT's obligations under this Lease, all rent due TENANT from any subletting of all or a part of the Premises pursuant to this Lease, and COUNTY, as assignee and as attorney-in-fact for TENANT, may collect such rent and apply it toward TENANT's obligations under this Lease, except that until the occurrence of a Default by TENANT, TENANT shall have the right to collect such rent.

14. COUNTY'S ENTRY ON PREMISES.

A. COUNTY and its authorized representatives shall have the right to enter the Premises at all reasonable times for any of the following purposes:

1. To inspect the Premises;
2. To determine whether the Premises are in good condition and whether TENANT is complying with its obligations under this Lease;
3. To do any necessary maintenance or perform any auditing, testing, or sampling and to make any restoration to the Premises that COUNTY has the right or obligation to perform;
4. To serve, post, or keep posted any notices required or allowed under the provisions of this Lease;
5. To post "for sale" signs at any time during the Term and to post "for rent" or "for lease" signs during the last six (6) months of the Term or during any period while TENANT is in default;
6. To show the Premises to brokers, agents, prospective buyers, or other persons interested in the purchase of the Premises at any time during the Term;
7. To show the Premises to brokers, agents, prospective tenants, and other persons interested in leasing the Premises during the last twelve (12) months of the Term;
8. To shore the foundations, footings, and walls of the building and other improvements that are a part of the Premises, if any excavation or other construction is undertaken or is about to be undertaken on any adjacent property or nearby street; to erect scaffolding and protective barricades around and about the Premises, and to do any other act or thing necessary for the safety or preservation of the Premises or the building and other improvements in which the Premises are located, provided that COUNTY's actions do not prevent entry to the Premises. COUNTY's rights under this provision extend to the owner of the adjacent property on which excavation or construction is to take place and the adjacent property owner's authorized representatives.
9. To abate any interference with aircraft as described in Paragraph 19.B. of this Lease.

B. COUNTY shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance, or other damage arising out of COUNTY's entry on the Premises as provided in this paragraph, except for property damage resulting from the negligent

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acts or omissions of COUNTY or its authorized representatives. TENANT shall not be entitled to an abatement or reduction of rent if COUNTY exercises any rights reserved in this paragraph. COUNTY shall conduct COUNTY's activities on the Premises pursuant to this paragraph in a manner that will cause the least possible inconvenience, annoyance, or disturbance to TENANT.

15. **DAMAGE OR DESTRUCTION OF PREMISES.** In the event any of the County-owned buildings, structures or improvements erected on the Premises are damaged or destroyed during the term of this Lease, COUNTY shall repair and restore any COUNTY-owned buildings, structures, or improvements thereon to the original condition prior to said damage or destruction, except as set forth herein. However, if the Premises are part of a multi-tenant building, structure, or improvement, then the repair or restoration of the building, structure or improvement shall be governed by Paragraph 15.A. Damaged or destroyed buildings, structures or improvements that are owned by TENANT shall be repaired or restored by TENANT at the sole cost of TENANT. The obligation of the COUNTY to repair or restore COUNTY-owned buildings, structures or improvements shall not exceed available insurance proceeds. COUNTY shall have discretion not to repair or restore when the COUNTY-owned buildings or improvements are 60% or more destroyed or made unusable or irreparable or when the cost of repair is greater than 60% of the most recent appraisal value. COUNTY shall also have the right to terminate this Lease when damage or destruction to the Premises exceeds 60%. TENANT or COUNTY, as appropriate, shall commence the repair and restoration of the Premises within forty-five (45) days of the event causing such damage or destruction and shall diligently prosecute such work until completion. Notwithstanding the foregoing, if COUNTY is obligated to repair or restore the COUNTY-owned buildings or improvements which contain the Premises and the completion of the repair and restoration work is estimated to take in excess of six (6) months, or the damage or destruction occurs within the last twelve (12) months of the Term, COUNTY shall have the right to terminate this Lease on thirty (30) days written notice to TENANT. COUNTY's notice of termination shall be given within forty-five (45) days following the event causing the damage or destruction. All proceeds of any property insurance maintained by TENANT pursuant to this Lease shall be used to repair and restore the Premises, and for no other purpose, without COUNTY's express written consent. TENANT shall comply with all the procedures set forth in Paragraph 11, IMPROVEMENTS as part of TENANT's repair and restoration work. If TENANT fails to commence the repair or restoration work in a timely manner, or fails to diligently prosecute such work, or fails to comply with the requirements of Paragraph 11, IMPROVEMENTS, COUNTY shall have the right to terminate this Lease under Paragraph 21, DEFAULT AND RIGHT TO TERMINATE.

A. **Multi-Tenant Buildings and Improvements.** If the Premises are part of a multi-tenant building or improvement, COUNTY shall be obligated to repair or restore the Premises, unless the damage or destruction is the result of the negligence or willful misconduct of TENANT, in which case TENANT shall repair and/or restore the Premises in accordance with the preceding paragraph. If COUNTY is obligated to repair and/or restore the Premises, COUNTY shall commence the work within ninety (90) days of the event causing the damage or destruction and shall diligently prosecute such work. Notwithstanding the foregoing, if COUNTY is obligated to repair or restore the buildings or improvements which contain the Premises and the completion of the repair and restoration work is estimated to take in excess of six (6) months, or the damage or destruction occurs within the last twelve (12) months of the Term, COUNTY shall have the right to terminate this Lease on thirty (30) days written notice to TENANT. COUNTY's notice of termination shall be given within ninety (90) days following the event causing the damage or destruction. If COUNTY is obligated to repair or restore the building in which the Premises is located and COUNTY fails to commence the work within

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ninety (90) days of the event causing such damage or construction, subject to delays beyond COUNTY's control, TENANT may, at any time prior to COUNTY's commencement of such repair or restoration work, give written notice to COUNTY of TENANT's election to terminate this Lease on a date not less than sixty (60) days following the date of such notice. If TENANT gives COUNTY such notice and COUNTY fails to commence the repair or restoration work within sixty (60) days of COUNTY's receipt of such TENANT's notice of TENANT's election to terminate, this Lease shall terminate as of the date specified in TENANT's notice. If COUNTY commences the repair or restoration work within sixty (60) days following the receipt of TENANT's notice, this Lease shall continue in full force and effect.

B. **Commencement of the Work.** As used in this paragraph, the phrase "commencement of the work" shall mean either the unconditional authorization for the preparation of the required plans, or the beginning of the actual work on the Premises, whichever occurs first.

C. **Abatement of Rent.** If the Premises are part of a multi-tenant building and the building is damaged or destroyed during the Term and TENANT is not legally responsible for such damage or destruction, the Minimum Monthly Rent due from by TENANT under this Lease shall be abated in proportion to the degree to which TENANT's use of the Premises is impaired during the period of repair or restoration, provided, however the amount of any abated rent shall not exceed the proceeds of the insurance required under Paragraph 7.A. which apply to abatement of rent.

16. **CONDUCT OF EMPLOYEES.** TENANT shall be responsible for the conduct of its employees, volunteers, agents, members, guests, patrons, and spectators on the entire Airport property. In addition, TENANT agrees to abide by, and ensures that all such persons abide by the rules and regulations of the County Airports while on the Premises.

17. **ERECTION OF SIGNS.** TENANT may erect signs on the Premises or the structures on the Premises in accordance with this Lease, but erection or application of said signs shall be allowed only with the written permission of the COUNTY at its sole discretion. All signs shall be approved by COUNTY, in its sole discretion, and if approved, shall be erected in conformity with the County and City codes, ordinances, and policies with regard to signage.

18. **AIRPORT DEVELOPMENT.** COUNTY, at its sole discretion, shall determine and may from time to time change the routes of surface ingress and egress to the Premises, but agrees to locate such routes as conveniently as may be done for TENANT, having in mind the reasonable requirements of COUNTY with respect to the operation of the Airport. COUNTY also reserves the right to further develop or improve the Airport as it sees fit, regardless of the desires or views of the TENANT and without interference or hindrance. COUNTY, at COUNTY's sole expense, on at least ninety (90) days prior written notice, may require a tenant to move from the Premises to other space of comparable size at the Airport in order to facilitate the development of the Airport or to consolidate the space leased to other tenants of the Airport. In the event of any such relocation, COUNTY will pay all expenses associated with preparing the new premises so that such premises will be substantially similar to the Premises from which TENANT is moving. COUNTY will also pay the TENANT's reasonable moving expenses. In such event, this Lease and each and all of the terms, covenants and conditions contained herein shall remain in full force and effect and shall be deemed applicable to such new space, except that the Basic Lease Provisions and Exhibit Page to this Lease shall be revised to reflect the changes incident to TENANT's relocation. As an alternative to such relocation, TENANT

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shall have the right to terminate this Lease if TENANT so desires by providing notice to COUNTY within thirty (30) days after receipt of COUNTY's relocation notice.

19. SPECIAL USE COVENANTS AND RESTRICTIONS.

A. **Right of Flight.** COUNTY, its successors and assigns, hereby reserves for the use and benefit of the public a right of flight for the passage of aircraft in the airspace above the surface of the Premises, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft. TENANT agrees not to make any claim or institute legal action against COUNTY under any theory of recovery for any interference with TENANT's use and enjoyment of the Premises which may result from the operation of aircraft to or from the Airport.

B. **Noninterference With Aircraft.** TENANT, by accepting this Lease expressly agrees for itself, its successors, and assigns, that it will not make use of the Premises in any manner which might interfere with the landing and/or taking off of aircraft from the Airport, or any part therein or otherwise constitute a hazard to navigation in the use of the Airport by aircraft. In the event the aforesaid covenant is breached, the COUNTY reserves the right to enter upon the Premises and cause the abatement of such interference at the sole cost and expense of the TENANT.

C. **Federal Aviation Administration Requirements.** TENANT agrees to conform to all applicable federal, state and county rules and regulations and to further conform to any and all requirements or regulations of the Federal Aviation Administration as may be applicable to the TENANT and the TENANT's use of the Premises.

D. Hazardous Substances.

1. **Definitions.** The following terms shall have the meanings set forth in this paragraph:

a. **Applicable Requirements** shall mean all laws, rules, regulations, ordinances, directives, covenants, easements, and restrictions of record, permits, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of COUNTY's engineers and/or consultants, relating in any manner to the Premises now in effect or which may hereafter come into effect.

b. **Hazardous Substance** shall mean any product, substance, chemical, material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, or the environment, or the Premises; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of COUNTY to any governmental agency or third party under any Applicable requirements or common law theory. Hazardous Substance shall include, but not be limited to aviation fuel, hydrocarbons, petroleum products, gasoline, crude oil or any products or by-products thereof.

c. **Reportable Use** shall mean the installation or use of any above or below ground (i) storage tank; (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any

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governmental authority; and (iii) the presence in, on or about the Premises of a Hazardous Substance with respect to which any Applicable Requirements require that a notice be given to persons entering or occupying the Premises or neighboring properties.

2. **Tenant's Covenants.** TENANT, at its sole cost, shall comply with any and all the Applicable Requirements with respect to Hazardous Substances, including but not limited to the following:

a. California Health & Safety Code, Division 20, Chapters 6.5, Hazardous Waste Control (inclusive); 6.7, Underground Storage of Hazardous Substances (inclusive); and 6.95, Hazardous Materials Release Response Plans and Inventory (inclusive);

b. California Code of Regulations Title 22, Division 4.5; Title 23, Division 3, Chapter 16, Underground Storage Tank Regulations; and

c. Title 2, Division 3, entitled "Fire Protection and Explosives and Hazardous Materials", and Title 3, Division 3, Chapter 8, entitled "Waste Management" of the San Bernardino County Code.

TENANT shall not engage in any activity in or about the Premises or at the Airport which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of COUNTY, in its sole discretion, and compliance in a timely manner (at TENANT's sole cost and expense) with all Applicable Requirements. Notwithstanding the foregoing, TENANT may, without COUNTY's prior consent, but upon notice to COUNTY and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by TENANT in the normal course of the Use set forth on the Basic Lease Provisions, so long as such use is not a Reportable Use and does not expose the Premises or neighboring properties to any meaningful risk of contamination or damage or expose COUNTY to any liability therefore. COUNTY may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by TENANT upon TENANT's giving COUNTY such additional assurances as COUNTY, in the reasonable discretion of the Director of Airports, deems necessary to protect itself, the public, the Premises, the Airport, and the environment against damage, contamination or injury and/or liability therefore, including, but not limited to, the installation (and, at COUNTY's option, and TENANT's sole cost and expense) of reasonably necessary protective modifications to the Premises and/or the deposit of an additional Security Deposit under Paragraph 7 hereof. TENANT shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises (including, without limitation, through the plumbing or sanitary sewer system) or the Airport.

3. **Duty to Inform COUNTY.** If TENANT knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Airport, other than as previously consented to by COUNTY, TENANT shall immediately give COUNTY notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including, but not limited to, all such documents as may be involved in any Reportable Use involving the Premises or the Airport to be followed up in writing within two (2) days. TENANT will provide to COUNTY, prior to the termination of this Lease agreement, a soil test and a fuel tank test that will indicate if any leakage has occurred from any tank located on or under the Premises or at the Airport and used

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by TENANT. If any leakage is found, TENANT shall repair the tanks and remove any contaminated soil at TENANT's sole cost and expense.

4. **Indemnification.** TENANT shall indemnify, protect, defend, and hold COUNTY, its officers, agents, employees, and volunteers and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, and loss of permits (including COUNTY's attorneys' and consultants' fees) arising out of or involving any Hazardous Substance brought onto the Premises by or for TENANT or by anyone under TENANT's control. TENANT's obligations under this paragraph shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by TENANT, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by COUNTY and TENANT shall release TENANT from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by COUNTY in writing at the time of such agreement.

E. **Continuous Use.** The TENANT covenants and agrees that TENANT shall operate and conduct in compliance with minimum standards that may be promulgated by COUNTY within the Premises, those activities noted in the use section of the Basic Lease Provisions, continuously and uninterruptedly, during normal business hours, without the written consent of COUNTY. Notwithstanding the foregoing, TENANT shall not be obligated to operate TENANT's business while Premises are untenable by reason of fire or other casualty or while TENANT is prevented from conducting TENANT's business due to an Act of God, governmental authority, or other matters beyond TENANT's control.

F. **Priority of Agreements with United States.** This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the COUNTY and the United States relative to the development, operation, or maintenance of the Airport.

G. **Licenses and Certifications.** TENANT agrees that before commencing any use of or business operations at the Premises, TENANT will acquire, provide, and maintain those notices, certifications, licenses, approvals and permits required by any federal, state, or local jurisdiction or authority for carrying out the purpose of this Lease. Failure to comply with this provision will constitute a default and right to terminate by COUNTY under subparagraph 21, DEFAULT AND RIGHT TO TERMINATE of this Lease.

H. **Rules and Regulations.** TENANT agrees to abide by, keep and observe all minimum standards, reasonable rules, and regulations which COUNTY may make from time to time for the management, safety, care, cleanliness of the grounds, parking areas, and the preservation of good order, as well as for the convenience of other tenants, occupants, or visitors to the Airport.

I. **Auctions.** TENANT shall not conduct, nor permit to be conducted, either voluntarily or involuntary, any auction upon the Premises without COUNTY's prior written consent. Notwithstanding Paragraph 25 with regard to reasonableness, COUNTY shall not be obligated to exercise any standard of reasonableness in determining whether to consent to any requested auction.

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J. **Reservation of Right to Use Roof Areas.** COUNTY reserves all right to use the roof of any building or improvement situated on the Premises for the installation of signs, antennae and/or other communications equipment, provided that COUNTY's use of the roof does not unreasonably interfere with TENANT's use of the Premises. COUNTY shall be entitled to all revenues received as the result of result of such signs, antennae and/or communications equipment.

20. **CONDEMNATION.** If the Premises or any part thereof are taken under the power of eminent domain, this Lease shall terminate as to the part so taken as of the date the condemning authority takes possession thereof. In such event, the rent shall be reduced in the proportion that the floor area (or other surface area), taken bears to the total floor area (or other surface area), prior to the taking. If more than twenty percent (20%) of the floor area of the buildings or the Premises or more than fifty percent (50%) of the surface area leased to TENANT but not occupied by any building, is taken by condemnation, TENANT may, at TENANT's option, and upon securing approval of the LENDER identified under Paragraph 11, IMPROVEMENTS, terminate this Lease. If TENANT elects to exercise its option to terminate this Lease pursuant to this paragraph, TENANT shall give written notice of termination to COUNTY within thirty (30) days after the condemning authority takes such possession and this Lease shall terminate sixty (60) days thereafter. If TENANT does not exercise TENANT's right to terminate this Lease, then the rent payable shall be reduced as set forth above and this Lease shall remain in full force and effect. Any compensation awarded as damages for the taking of the Premises or COUNTY owned improvements, together with any severance damage, shall be the sole property of the COUNTY, except that any compensation awarded for TENANT's improvements, trade fixtures, equipment and moving costs shall be paid to TENANT or TENANT's LENDER if any.

21. **DEFAULT AND RIGHT TO TERMINATE.**

A. **Definitions.** A "Default" by TENANT shall refer to any failure by TENANT to observe, comply with or perform any of the terms, covenants, conditions, or rules applicable to TENANT under this Lease. The term "Breach" shall refer to the occurrence of any one or more of the following Defaults, and, where a grace period for cure after notice is specified herein, the failure of TENANT to cure such Default prior to the expiration of the applicable grace period:

1. TENANT's unexcused failure to conduct TENANT's business at the Premises in accordance with the terms of this Lease including but not limited to the failure to comply with the limitations of use of the Premises.

2. Vacating the Premises without the evident intention to reoccupy same, an abandonment of the Premises, or notice of intent to abandon Premises expressed in written notice.

3. TENANT's failure to make any payment of Minimum Monthly Rent, the Water & Sewer Charges, the Fees, or any other monetary payment required to be made by TENANT hereunder as and when due, the failure of TENANT to provide COUNTY with reasonable evidence of insurance or surety bond required under this Lease, or TENANT's failure to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of three (3) days, or such reasonable time as agreed by COUNTY, following written notice thereof by or on behalf of COUNTY to TENANT.

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4. The failure by TENANT to provide COUNTY with reasonable written evidence (in duly executed original form, if applicable) (in compliance with minimum standards that may be promulgated by COUNTY) of (a) compliance with Applicable Requirements per Paragraph 19.D., (b) the inspection, maintenance and service contracts required under Paragraph 12.A., (c) the rescission of an unauthorized assignment or subletting per Paragraph 13, (d) the guaranty of the performance of TENANT'S obligations under this Lease if required by the Basic Lease Provisions, or (e) any other documentation or information which COUNTY may reasonably require of TENANT under the terms of this Lease, where any such failure continues for a period of ten (10) days following written notice by or on behalf of COUNTY to TENANT.

5. A Default by TENANT as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 19.H. hereof that are to be observed, complied with or performed by TENANT in compliance with minimum standards that may be promulgated by COUNTY, other than those described in subparagraphs 21.A.(1) through (4) inclusive, where such Default continues for a period of thirty (30) days or more after written notice thereof by or on behalf of COUNTY to TENANT; provided, however, that if the nature of TENANT's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by TENANT if TENANT commences such cure within said thirty (30) day period and thereafter continuously and diligently prosecutes such cure to completion.

6. A Default by TENANT as to the terms of any Approved Encumbrance, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of COUNTY;

7. The occurrence of any of the following events: (a) the making by TENANT of an assignment for the benefit of creditors; (b) TENANT's becoming a "debtor" as defined in 11 U.S. Code Section 101 or any successor statute thereto (unless, in the case of a petition filed against TENANT, the same is dismissed within sixty (60) days); (c) the appointment of a trustee or receiver to take possession of substantially all of TENANT's assets located at the Premises or of TENANT's interest in this Lease, where possession is not restored to TENANT within thirty (30) days; or (d) the attachment, execution or other judicial seizure of substantially all of TENANT'S assets located at the Premises or of TENANT's interest in this Lease, where such seizure is not discharged within thirty (30) days.

8. The discovery by COUNTY that any financial statement of TENANT or of any Guarantor, given to COUNTY by TENANT or any GUARANTOR, was materially false; or TENANT'S default pursuant to Paragraph 35.B.

9. If the performance of TENANT's obligations under this Lease is guaranteed: (a) the death of a Guarantor, (b) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (c) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, or (d) a Guarantor's refusal to honor the guaranty, and TENANT'S failure, within sixty (60) days following written notice by or on behalf of COUNTY to TENANT of any such event, to provide COUNTY with written alternative assurances of security, which, when coupled with the then existing resources of TENANT, equals or exceeds the combined financial resources of TENANT and the Guarantors that existed at the time of execution of this Lease.

B. Remedies.

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1. Other than as provided in Paragraph 21.A., if TENANT fails to perform any affirmative duty or obligation of TENANT under this Lease, within ten (10) days after written notice to TENANT (or in case of an emergency, without notice), COUNTY may at its option (but without obligation to do so), perform such duty or obligation on TENANT's behalf, including, but not limited to, the obtaining of reasonably required, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by COUNTY shall be due and payable by TENANT to COUNTY within ten (10) days of COUNTY's demand.

2. In the event of a Breach of this Lease by TENANT (as defined in Paragraph 21.A.), with or without further notice or demand, and without limiting COUNTY in the exercise of any right or remedy which COUNTY may have by reason of such Breach, COUNTY may:

a. Terminate TENANT's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate, and TENANT shall immediately surrender possession of the Premises to COUNTY. In such event COUNTY shall be entitled to recover from TENANT: (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the TENANT proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that the TENANT proves could be reasonably avoided; and (iv) any other amount necessary to compensate COUNTY for all the detriment proximately caused by the TENANT's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by COUNTY in connection with this Lease and applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). COUNTY's attempt to mitigate damages caused by TENANT's Default or Breach of this Lease shall not waive COUNTY's right to recover damages under this Paragraph 21.B. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, COUNTY shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or COUNTY may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages.

b. Continue the Lease and TENANT'S right to possession in effect under California Civil Code Section 1951.4 after TENANT'S Breach and recover the rent as it becomes due, provided TENANT has the right to sublet or assign, subject only to reasonable limitations. COUNTY and TENANT agree that the limitations on assignment and subletting in this Lease are reasonable. COUNTY's maintenance of the Premises or efforts to relet the Premises, or the appointment of a receiver to protect the COUNTY's interest under this Lease, shall not constitute a termination of the TENANT'S right to possession.

c. Pursue any other remedy now or hereafter available to COUNTY under the laws or judicial decisions of the State of California.

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3. If, at any time TENANT is in default of any monetary obligation as defined in Paragraph 4.E. as Rent or any other provision for forty-five (45) days, or if TENANT defaults on any provision(s) three (3) times within any twelve (12) consecutive months, COUNTY may terminate this Lease on ten (10) days' notice.

C. **Survival of Indemnity Provisions.** The expiration or termination of this Lease and/or the termination of TENANT's right to possession shall not relieve TENANT from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the Term or by reason of TENANT's occupancy of the Premises.

D. **Tenant's Personal Property.** TENANT covenants and agrees that immediately upon termination of this Lease, TENANT shall remove and properly dispose of all of TENANT's signs, personal property, machinery, or fixtures from the Premises. If TENANT fails to remove any such personal property, COUNTY may remove such personal property and place the same in storage at the expense of TENANT and without liability to COUNTY for losses. TENANT agrees to pay COUNTY for all expenses incurred by COUNTY in connection with the removal, and storage charges of TENANT's personal property, including attorney's fees and court costs. Alternatively, COUNTY may at its option and on not less than ten (10) days written notice to TENANT sell all or any part of said personal property at public or private sale for such prices as COUNTY may obtain. COUNTY shall apply the proceeds of any such sale to the amounts due from TENANT under this Lease and to any expense incidental to such sale. Any surplus arising from such sale shall be refunded to TENANT.

E. **No Waiver by County.** COUNTY's receipt of any rent or of any other sum of money paid by TENANT after the termination and forfeiture of this Lease, or after the giving by COUNTY of any notice to effect such termination, shall not waive the Default, reinstate, continue, or extend the Term of this Lease, or destroy or impair the efficacy of COUNTY's notice of termination, unless otherwise agreed in writing by COUNTY. COUNTY's acceptance of the keys to the Premises or any other act of the COUNTY or its agents or employees during the Term of this Lease shall not be deemed to be an acceptance or a surrender of the Premises, unless otherwise agreed in writing by COUNTY.

F. **Recapture of Inducement.** COUNTY's agreement for free or abated rent or other charges applicable to the Premises, or for the giving or paying by COUNTY to or for TENANT of any cash or other bonus, inducement or consideration for TENANT's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon TENANT's full and faithful performance of all of the terms, covenants, and conditions of this Lease. Upon the occurrence of a Breach (as defined in paragraph above) of this Lease by TENANT, any such Inducement Provisions shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration therefore abated, given or paid by COUNTY under such an Inducement Provision shall be immediately due and payable by TENANT to COUNTY, and recoverable by COUNTY, as additional rent due under this Lease. The acceptance by COUNTY of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by COUNTY of the provisions of this paragraph, unless specifically agreed in writing by COUNTY.

G. **Reserved.**

22. **HOLDING OVER.** If the TENANT continues in possession of the Premises after the expiration of the Term or after any termination of this Lease prior to the expiration of the

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Term, and if said occupancy is with the written consent of the COUNTY, then TENANT shall be deemed to be holding the Premises on a month-to-month tenancy subject to all the provisions of this Lease. The Minimum Monthly Rent payable during such period of holding over shall initially be one hundred fifty percent (150%) of the Minimum Monthly Rent that was payable in the month immediately preceding the commencement of the period of holding over and such Minimum Monthly Rent shall thereafter be subject to the same adjustments set forth in Paragraph 5. TENANT shall continue to pay the monthly Water & Sewer Charges during such holdover.

23. **TIME OF ESSENCE.** Except as otherwise specifically provided, time is of the essence for each provision of this Lease which specifies a time within which performance is to occur. In the absence of any specified time for performance, performance may be made within a reasonable time.

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

25. **CONSENT.** Unless otherwise specified in the Lease, whenever consent or approval of either party is required, that party shall not unreasonably withhold such consent or approval.

26. **EXHIBITS.** All exhibits referred to in this Lease or attached to this Lease are incorporated herein by reference.

27. **LAW.** This Lease shall be construed and interpreted in accordance with the laws of the State of California.

28. **ATTORNEYS' FEES AND COSTS.** If any legal action is instituted to enforce or declare any party's rights hereunder, each party, including the prevailing party, must bear its own costs and attorneys' fees. This paragraph shall not apply to those costs and attorneys' fees directly arising from any third-party legal action against a party hereto and payable under Paragraph 8, HOLD HARMLESS, payable on account of TENANT's violation of Paragraph 19.D., or payable under Paragraph 39, PUBLIC RECORDS DISCLOSURE.

29. **VENUE.** The parties acknowledge and agree that this Lease was entered into and intended to be performed in San Bernardino County, California. The parties agree that the venue for any action or claim brought by any party to this Lease will be the Superior Court of California, San Bernardino County. Each party hereby waives any law or rule of court which would allow it to request or demand a change of venue. If any action or claim concerning this Lease is brought by any third party, the parties hereto agree to use their best efforts to obtain a change of venue to the Superior Court of San Bernardino, San Bernardino County.

30. **COMPLIANCE WITH LAW.** TENANT and its officers, employees, agents, and assigns shall be bound by and comply with all applicable federal, state, and local laws, statutes, ordinances, administrative orders, rules, or regulations relating to its duties, obligations, rights, and performance under the terms of this Lease.

31. **CAPTIONS, TABLE OF CONTENTS AND COVER PAGE.** The paragraph captions, table of contents and the cover page of this Lease shall have no effect on its interpretation.

SECTION II – ADDITIONAL LEASE PROVISIONS

32. **NOTICES.** Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party, including but not limited to, notices required under the California unlawful detainer statutes, or any other person, shall be in writing and either served personally or sent by postage prepaid, first-class mail, certified or registered, return receipt requested, to the other party at the address listed in the Basic Lease Provisions. Any such notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party shall be addressed to the other party. Either party may change its address by notifying the other party of the change of address. Notices shall be deemed delivered and effective upon the earlier of (i) actual receipt or (ii) the date of delivery or refusal of the addressee to accept delivery if such notice is sent by or United States mail, postage prepaid, certified, or registered, return receipt requested.

33. **OPTION TO EXTEND TERM.** In the event the Basic Lease Provisions provide that TENANT is given one or more options to extend the Term, the following provisions shall apply:

A. **Tenant's Option Notice.** TENANT shall notify COUNTY of TENANT's intention to exercise TENANT's option to extend the Term of this Lease by giving written notice of the exercise of the option ("Option Notice") to COUNTY which must be received at least nine (9) months, but not more than twelve (12) months, before the expiration of the current term (unless otherwise provided).

B. **Options Personal to Original TENANT.** Each option granted to TENANT in this Lease is personal to the original TENANT and cannot be voluntarily or involuntarily assigned or exercised by any person or entity other than said original TENANT, while the original TENANT is in full and actual possession of the Premises without the written consent of the COUNTY.

C. **Effect of Default on Options.** If TENANT is in Default at any time during the Term of this Lease or any extended term TENANT shall have no right to exercise any Option and the Option Notice shall be totally ineffective. If TENANT is in Default on or at any time prior to the date the extended term is to commence, the extended term shall not commence, and this Lease shall expire at the end of the current Term.

D. **Multiple Options.** In the event that TENANT has multiple options to extend this Lease, a later option cannot be exercised unless the prior options to extend this Lease have been validly exercised and/or consented to.

E. **Minimum Monthly Rent.** The Minimum Monthly Rent, for each extended term, shall be set in accordance with Paragraph 5 of this Lease.

34. **RECORDATION OF LEASE.** TENANT shall not record this Lease, or a short form memoranda of this Lease without the prior written consent of COUNTY. If COUNTY consents to the recordation of this Lease, TENANT shall pay all charges incident to such recording.

35. **GUARANTOR.**

A. **Form of Guaranty.** If the Basic Lease Provisions provide that TENANT's obligations pursuant to this Lease are to be guaranteed by one or more Guarantors, then each

SECTION II – ADDITIONAL LEASE PROVISIONS

Guarantor shall execute the form of the guaranty attached hereto as Exhibit "I" "Guaranty" and each such Guarantor shall have the same obligations as TENANT under this Lease.

B. **Additional Obligations of Guarantor.** It shall constitute a Default of the TENANT under this Lease if any of TENANT's Guarantors fails or refuses, upon reasonable request by COUNTY to give: (i) evidence of the due execution of the guaranty required by this Lease, including the authority of the Guarantor (and of the party signing on Guarantor's behalf) to obligate such Guarantor on said guaranty, and resolution of its board of directors authorizing the making of such guaranty, together with a certificate of incumbency showing the signatures of the persons authorized to sign on its behalf, (ii) current financial statements of Guarantor as may from time to time be requested by COUNTY, or (iii) written confirmation that the Guaranty is still in effect.

36. **SEVERANCE.** If any provision of this Lease is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect. It is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

37. **SURVIVAL.** The obligations of the parties, which by their nature continue beyond the term of this Lease, will survive the termination of this Lease.

38. **REPRESENTATIONS AND AUTHORITY.** If TENANT is a corporation, each of the persons executing this Lease on behalf of TENANT represents or warrants that TENANT has been and is qualified to do business in the State of California, that the corporation has full right and authority to enter into this Lease, and that all persons signing on behalf of the corporation were authorized to do so by the appropriate corporate actions. If TENANT is a partnership, limited liability company, trust, or other legal entity, each of the persons executing this Lease on behalf of TENANT represents or warrants that TENANT has complied with all applicable laws, rules and governmental regulations relative to its right to do business in the State of California and that all persons signing on behalf of such entity were authorized to do so by any and all appropriate actions. TENANT agrees to furnish upon COUNTY's request a corporate resolution, or other appropriate documentation evidencing the authorization of TENANT to enter into this Lease.

39. **PUBLIC RECORDS DISCLOSURE.** All information received by the COUNTY from any source concerning this Lease, including the Lease itself, may be treated by the COUNTY as public information subject to disclosure under the provisions of the California Public Records Act, Government Code Sections 6250 et seq. (the "Public Records Act"). TENANT understands that although all materials received by the COUNTY in connection with this contract are intended for the exclusive use of the COUNTY, they are potentially subject to disclosure under the provisions of the Public Records Act. In the event a request for disclosure of any part or all of any information which a TENANT has reasonably requested COUNTY to hold in confidence is made to the COUNTY, the COUNTY shall notify the TENANT of the request and shall thereafter disclose the requested information unless the TENANT, within five (5) days of receiving notice of the disclosure request, requests nondisclosure, provides COUNTY a legally sound basis for the nondisclosure, and agrees to indemnify, defend, and hold the COUNTY harmless in any/all actions brought to require disclosure. TENANT waives any and all claims for damages, lost profits, or other injuries of any and all kinds in the event

SECTION II – ADDITIONAL LEASE PROVISIONS

COUNTY fails to notify TENANT of any such disclosure request and/or releases any information concerning the contract received from the TENANT or any other source.

40. **INTERPRETATIONS.** As this Lease was jointly prepared by both parties, the language in all parts of this Lease shall be construed, in all cases, according to its fair meaning, and not for or against either party hereto.

41. **ENTIRE AGREEMENT.** This agreement, including recitals, constitutes a single, integrated contract, expressing the entire agreement and understanding of the parties concerning the subject matter of this agreement, and this agreement supersedes and replaces all prior understandings, negotiations, proposed agreements and agreements, whether oral or written, express or implied.

42. **AMENDMENT.** No waiver, modification or amendment of any term condition or provision of this Lease shall be valid or shall have any force or effect unless made in writing and signed by all of the parties hereto. This provision shall not apply to amendment of such Lease pursuant to Paragraph 5 or 7.

43. **NO RELIANCE.** In entering into this agreement, each of the parties acknowledges, represents and warrants that it has not relied upon any promise, statement, or representation, express or implied, of any other party or such other party's agents, employees, or attorneys, not contained in this agreement.

44. **FORMER COUNTY OFFICIALS.**

A. TENANT agrees to provide or has already provided information on former COUNTY administrative officials (as defined below) who are employed by or represent TENANT. The information provided includes a list of former COUNTY administrative officials who terminated COUNTY employment within the last five years and who are now officers, principals, partners, associates, or members of the business. The information also includes the employment with or representation of TENANT. For purposes of this provision, "COUNTY administrative official" is defined as a member of the Board of Supervisors or such officer's staff, COUNTY Administrative Officer or member of such officer's staff, COUNTY department or group head, assistant department or group head, or any employee in the Exempt Group, Management Unit or Safety Management Unit. (See Exhibit "K", List of Former County Officials.)

45. **MATERIAL MISREPRESENTATION.** If during the course of the administration of this Lease, the COUNTY determines that the TENANT has made a material misstatement or misrepresentation or that materially inaccurate information has been provided to the COUNTY, this Lease may be immediately terminated. If this Lease is terminated according to this provision, the COUNTY is entitled to pursue any available legal remedies.

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SECTION II – ADDITIONAL LEASE PROVISIONS

46. **SIGNATURES.** All parties to this Lease represent that the signatories executing this document are fully authorized to enter into this agreement.

IN WITNESS THEREOF, the parties executed this agreement.

COUNTY: San Bernardino County

TENANT: Threshold Technologies, Inc.

By: 
Curt Hagman, Chairman, Board of
Supervisors

By: 
Mark D. DiIullo

Dated: AUG 09 2022

Title: Chief Executive Officer

Dated: 7/18/2022


SIGNED AND CERTIFIED, THAT A COPY OF
THIS DOCUMENT HAS BEEN DELIVERED TO
THE CHAIRMAN OF THE BOARD

Lynna Monell
Clerk of the Board of Supervisors
of San Bernardino County

By: 
Deputy

APPROVED AS TO LEGAL FORM

TOM BUNTON, County Counsel
San Bernardino County, California

By: 
Kristina M. Robb, Principal Assistant
County Counsel

Dated: 7/18/22

EXHIBIT "B"

COMPUTATION OF MINIMUM MONTHLY RENTAL, WATER & SEWER CHARGES & FEES

Monthly payment (Year 1), Commencing August 1, 2022 thru July 31, 2023:

(a)	For the period from August 1, 2022 through October 31, 2022
Minimum Monthly Rent:	\$ 0.00 (\$16,148 waived)
Subtotal	\$ 0.00
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 94.00 per month

(b)	For the period of November 1, 2022 through January 31, 2023
Minimum Monthly Rent:	\$ 0.00 (\$16,148 deferred)
Subtotal	\$ 0.00
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 94.00 per month

(c)	For the period of February 1, 2023 through July 31, 2023
Minimum Monthly Rent:	\$ 16,148
Subtotal	\$ 16,148
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 16,242 per month

Monthly payment (Year 2), Commencing August 1, 2023 thru July 31, 2024:

Minimum Monthly Rent:	\$ 16,148
Subtotal	\$ 16,148
Deferred Minimum Monthly Rent	\$ 1,345.67
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 17,587.67 per month

Monthly payment (Year 3), Commencing August 1, 2024 thru July 31, 2025:

Minimum Monthly Rent:	\$ 16,470.96
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EXHIBIT "B"

COMPUTATION OF MINIMUM MONTHLY RENTAL, WATER & SEWER CHARGES & FEES

Subtotal	\$ 16,470.96
Deferred Minimum Monthly Rent	\$ 1,345.67
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 17,910.63 per month

Monthly payment (Year 4), Commencing August 1, 2025 thru July 31, 2026:

Minimum Monthly Rent:	\$ 16,800.38
Subtotal	\$ 16,800.38
Deferred Minimum Monthly Rent	\$ 1,345.67
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 18,240.05 per month

Monthly payment (Year 5), Commencing August 1, 2026 thru July 31, 2027:

Minimum Monthly Rent:	\$ 17,136.39
Subtotal	\$ 17,136.39
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 17,230.39 per month

Monthly payment (Year 6), Commencing August 1, 2027 thru July 31, 2028:

Minimum Monthly Rent:	\$ 17,479.11
Subtotal	\$ 17,479.11
Water & Sewer Charges	\$ 94.00
Total Monthly Payment	\$ 17,573.11 per month

Monthly payment (Year 7), Commencing August 1, 2028 thru July 31, 2029:

Minimum Monthly Rent:	\$ 17,828.70
Subtotal	\$ 17,828.70
Water & Sewer Charges	\$ 94.00

EXHIBIT "B"

COMPUTATION OF MINIMUM MONTHLY RENTAL, WATER & SEWER CHARGES & FEES

Total Monthly Payment \$ 17,922.70 per month

Monthly payment (Year 8), Commencing August 1, 2029 thru July 31, 2030:

Minimum Monthly Rent: \$ 18,185.27

Subtotal \$ 18,185.27

Water & Sewer Charges \$ 94.00

Total Monthly Payment \$ 18,279.27 per month

Monthly payment (Year 9), Commencing August 1, 2030 thru July 31, 2032:

Minimum Monthly Rent: \$ 18,548.98

Subtotal \$ 18,548.98

Water & Sewer Charges \$ 94.00

Total Monthly Payment \$ 18,642.98 per month

Monthly payment (Year 10), Commencing August 1, 2031 thru July 31, 2032:

Minimum Monthly Rent: \$ 18,919.96

Subtotal \$ 18,919.96

Water & Sewer Charges \$ 94.00

Total Monthly Payment \$ 19,013.96 per month

EXHIBIT "C"

COMMERCIAL CHARGES AND FEES

1. TENANT shall pay COUNTY six point five cents (6.5¢) per gallon on all aviation fuel delivered to TENANT on the airport.
2. TENANT shall pay COUNTY seven point five cents (7.5¢) per quart on all aviation oil delivered to TENANT on the airport.
3. TENANT shall pay COUNTY six point five cents (6.5¢) per gallon on all jet fuel delivered to TENANT on the airport.
4. TENANT shall pay COUNTY point twenty five percent (0.25%) of gross sales in excess of \$6 million for new/used aircraft sold by TENANT from the premises.

When submitting payment for the commercial charges and fees, TENANT shall submit a monthly report of all commercial charges and fees and shall identify the source of said charges and fees. This report shall be prepared in the format contained in Exhibit "C-1", Monthly Commercial Charges and Fee Statement.

EXHIBIT "C-1"

MONTHLY COMMERCIAL CHARGES AND FEE STATEMENT

TENANT: _____

LEASE NO.: _____

FOR THE MONTH OF _____

PAYMENT CALCULATION

AMOUNT

- | | |
|---|----------|
| 1. Aviation Fuel Delivered: _____ Gallons @ 6.5¢/gallon | \$ _____ |
| 2. Aviation Jet Fuel Delivered: _____ Gallons @ 6.5¢/gallon | \$ _____ |
| 3. Aviation Oil Delivered: _____ Quarts @ 7.5¢/quart | \$ _____ |

TOTAL PAYABLE TO COUNTY (Total of Lines 1 through 3) \$ _____

I HEREBY CERTIFY THE ABOVE STATEMENTS TO THE BEST OF MY KNOWLEDGE ARE TRUE AND CORRECT.

Signed: _____
(TENANT)

Date: _____

EXHIBIT "D"

PROPERTY REAPPRAISAL PROCEDURE

Property Reappraisal Adjustment. The Minimum Monthly Rent set forth in Paragraph 4, as adjusted by Paragraph 5.A., shall be reestablished on the exercise of any option to extend the term of this Lease to be effective with the commencement date of such option period, hereafter referred to as the Property Reappraisal Date, to the Fair Market Rental of the Premises. The term "Fair Market Rental" shall mean the most probable monthly lease rate, in terms of money, which the Premises, including only those improvements thereon owned by COUNTY, would bring if exposed for lease in the open market, with a reasonable time allowed to find a tenant, leasing with full knowledge of the highest and best use for the Premises and after consideration of the current requirements of COUNTY, Airport Department and the FAA. Fair Market Rental shall be reestablished in accordance with terms, conditions and procedure set forth in this paragraph.

1. **Appraisal Procedure.** If COUNTY elects to utilize an airport wide appraisal, the appraisal may, but need not be, divided into various geographical, use or other zones and into various categories of improved and unimproved types of properties. Unless otherwise agreed by the parties, the appraisal shall be made by a senior designated member of a nationally recognized professional appraisal association that examines its designated members. The association shall be a member of the Appraisal Foundation and subscribe to the Uniform Standards of Professional Appraisal Practice. The appraiser may also be an employee of the appraising party provided that the appraiser meets the above criteria. In accomplishing the appraisal and determining Fair Market Rental for the Premises, the appraiser shall:

a. Use a valuation date ("Valuation Date") six (6) months prior to the Property Re-appraisal Date.

b. Apply appropriate approaches to valuation which shall include at a minimum, Cost Analysis and Market Comparison.

c. Determine the Fair Market Rental as of the Valuation Date.

The return-on-investment rate used to establish the Fair Market Rental rate, shall be the greater of ten percent (10%) or the discount rate plus four percent (4%) as announced by the Federal Reserve Bank of San Francisco to be in effect on the Valuation Date.

2. **County Notification.** Prior to the Property Reappraisal Date, COUNTY shall notify TENANT of the new Minimum Monthly Rent to be effective on the Property Reappraisal Date. The new Minimum Monthly Rent shall be based upon the Fair Market Rental determined in accordance with the Appraisal Procedure set forth above, provided, however, that the new Minimum Monthly Rent shall not be less than the Minimum Monthly Rent payable immediately prior to the Property Reappraisal Date. TENANT shall pay the new Minimum Monthly Rent commencing on the Property Reappraisal Date, unless and until changed by an amendment to this Lease or the Arbitrator's Decision (as defined and provided below). TENANT's failure to timely pay the Minimum Monthly Rent shall waive TENANT's rights to object to the new Minimum Monthly Rent and elect arbitration. Further, TENANT's failure to provide any of the notices or information set forth below in a timely manner shall waive TENANT's rights under 3. TENANT'S Right to Object and Appraise the Premises. All time limits concerning TENANT's obligations pursuant to this paragraph shall be strictly construed.

3. **Tenant's Right to Object and Appraise the Premises.**

EXHIBIT "D"

PROPERTY REAPPRAISAL PROCEDURE

a. **Notice of Objection.** In the event TENANT does not agree with the new Minimum Monthly Rent established in accordance with the appraisal procedure set forth above, then TENANT shall notify COUNTY of TENANT's disagreement within thirty (30) calendar days of TENANT's receipt of COUNTY's notice to TENANT setting the new Minimum Monthly Rent. Concurrently with TENANT's notice of objection to COUNTY, TENANT shall provide COUNTY with TENANT's proposal with respect to the new Minimum Monthly Rent for the Premises. Upon COUNTY's receipt of TENANT's notice and proposal for the new Minimum Monthly Rent, COUNTY and TENANT shall meet and attempt to agree on the Minimum Monthly Rent. TENANT's failure to timely notify COUNTY of TENANT's disagreement with the new Minimum Monthly Rent or failure to provide COUNTY with an alternative proposal for the Minimum Monthly Rent, shall waive TENANT's rights to appraise the Premises and elect binding arbitration.

b. **Tenant's Appraisal.** If within thirty (30) days of COUNTY's receipt of TENANT's notification and proposal with respect to Minimum Monthly Rent, COUNTY and TENANT have not reached an agreement for the new Minimum Monthly Rent, then TENANT shall have the right, at TENANT's sole cost, to conduct its own appraisal of the Premises to determine the Fair Market Rental ("Tenant's Appraisal"). TENANT shall complete its appraisal and deliver a complete copy of the appraisal to COUNTY, within one hundred and twenty (120) calendar days after TENANT's receipt of COUNTY's notice to TENANT reestablishing the Minimum Monthly Rent. Failure of TENANT to timely complete and deliver its appraisal to COUNTY shall waive TENANT's rights to appraise the Premises and elect binding arbitration. Within ten (10) days of COUNTY's receipt of a complete copy of TENANT's appraisal, COUNTY shall deliver a complete copy of its appraisal to TENANT, if COUNTY has not already done so. COUNTY may, but COUNTY shall not be obligated to, provide TENANT with a copy of or access to its appraisal, prior to COUNTY's receipt of a complete copy of the TENANT's Appraisal. Within the thirty (30) days following COUNTY's receipt of TENANT's Appraisal, COUNTY and TENANT shall meet and attempt agree on the Fair Market Rental and the Minimum Monthly Rent.

4. **Tenant's Right to Elect Arbitration.** If within thirty (30) days of COUNTY's receipt of a complete copy of TENANT's appraisal, TENANT and COUNTY have not reached agreement with respect to Minimum Monthly Rent, TENANT shall (after the thirty (30) days have passed) have the right to elect binding arbitration on the issue of Fair Market Rental by giving COUNTY notice of its election to arbitrate within sixty (60) days following COUNTY's receipt of a complete copy of TENANT's appraisal. Failure of TENANT to timely so notify COUNTY of TENANT's election to arbitrate shall waive TENANT's right to arbitration. The arbitration shall be conducted in accordance with the following procedures:

a. **Selection of Arbitrator.** Within thirty (30) days of COUNTY's receipt of TENANT's notice of election of arbitration, the appraiser who prepared COUNTY's appraisal and the appraiser who prepared TENANT's appraisal shall select an arbitrator to arbitrate the issue of Fair Market Rental. The arbitrator shall be an appraiser familiar with properties in San Bernardino County and specifically airport properties, and who meets the qualifications prescribed herein. Further, the arbitrator must: (i) not be currently employed by either party; (ii) be willing to perform the binding arbitration as set forth herein; and (iii) charge fees which are reasonable and customary for appraisers in San Bernardino County. As soon as the arbitrator is selected, the appraisers shall provide COUNTY and TENANT with the name, address, and estimated fee to be charged by the arbitrator, in writing. If the two appraisers are unable to

EXHIBIT "D"

PROPERTY REAPPRAISAL PROCEDURE

agree on the selection of an arbitrator, the arbitrator shall be selected by the president of the Appraisal Foundation.

b. Submissions to the Arbitrator.

(1) TENANT shall, within ten (10) days of its receipt of the notice of appointment of the arbitrator, pay the arbitrator's estimated fee and deliver to the arbitrator an exact duplicate of the complete appraisal the TENANT previously supplied to COUNTY. TENANT shall also, within five (5) days of complying with the above, notify COUNTY of its compliance. Failure of TENANT to timely pay the arbitrator's estimated charge, provide its appraisal to the arbitrator, and notify COUNTY of the same, shall constitute a waiver of TENANT's right to proceed with arbitration.

(2) COUNTY shall, within thirty (30) days of its receipt of TENANT's notice that the arbitrator's estimated fee has been paid and TENANT's appraisal has been delivered to the arbitrator, deliver to the arbitrator an exact duplicate of the complete appraisal the COUNTY previously supplied to TENANT. Failure of COUNTY to timely provide its appraisal to the arbitrator shall constitute a waiver of COUNTY's right to have the arbitrator consider its appraisal and the arbitrator shall select the TENANT's appraisal.

(3) The parties shall not add to, delete or in any way amend their own appraisal after they have given each other complete copies thereof. Further, neither party shall make any comment on, rebut, or supply any information or other evidence about the other party's appraisal to the arbitrator.

c. Arbitration Procedure. The arbitrator shall review both appraisals and select the one which in the arbitrator's professional opinion should be used to set the Fair Market Rental. In making the selection, the arbitrator shall act within the powers and limitations set forth below:

(1) The arbitrator may, but is not required to, make an on-site inspection of the Premises and its environs, subject to subparagraph (ii) below;

(2) The arbitrator shall not have the power to question either party, their employees, or any third persons concerning the Premises, nor to receive and/or demand any information or other evidence from either party, their employees or any third persons beyond the respective appraisals and a copy of this Lease, except as required to ascertain the location of the Premises if an on-site inspection is made under subparagraph (i) above;

(3) The arbitrator shall not make an appraisal of the Premises;

(4) The arbitrator shall select one of the parties' appraisals and may not make any other decision, recommendation or modifications;

(5) The arbitrator shall notify both parties of his selection within thirty (30) days of receiving both appraisals (the "Arbitrator's Decision"). The Arbitrator's Decision shall be in writing and shall state only that both appraisals were reviewed, an on-site inspection was or was not made, and which appraisal should be used to set the Fair Market Rental. The arbitrator shall not give any reason(s) for the Arbitrator's Decision.

EXHIBIT "D"

PROPERTY REAPPRAISAL PROCEDURE

d. **Adjustments based on Arbitrator's Decision.**

(1) In the event the COUNTY's appraisal is selected, the TENANT shall continue to pay the Minimum Monthly Rent established by the property appraisal performed by COUNTY unless the Arbitrator's Decision was made before the Property Reappraisal Date, in which case TENANT shall commence to pay the new Minimum Monthly Rent on the Property Reappraisal Date. COUNTY and TENANT shall not be reimbursed for any costs associated with establishing the Minimum Monthly Rent and TENANT shall pay all of the arbitrator's fees and costs.

(2) In the event TENANT's appraisal is selected, the Minimum Monthly Rent shall be adjusted in accordance with the TENANT's Appraisal as of the Property Reappraisal Date, provided however that the Minimum Monthly Rental shall not be less than the Minimum Monthly Rental for the month immediately preceding the Property Reappraisal Date. In the event the Arbitrator's Decision was made after the Property Reappraisal Date and TENANT paid the Minimum Monthly Rent based upon the COUNTY's appraisal as of the Property Reappraisal Date in accordance with this Lease, any excess rent payments shall be credited to future rents payments due from TENANT until TENANT is repaid in full. Further, the amount TENANT paid the arbitrator for the Arbitrator's estimated charge shall be credited to future rent payments due from TENANT until TENANT is repaid in full. Neither COUNTY or TENANT shall be reimbursed for the cost of their appraisals or other costs associated with establishing the Minimum Monthly Rent. COUNTY shall pay any arbitrator's fee if in excess of the estimated charge.

5. It is the intent of the parties that the appraisal and arbitration process set forth above shall be the exclusive remedy available to TENANT to challenge the Minimum Monthly Rent established for this Lease and shall be binding on the parties unless vacated as provided for by Code of Civil Procedure Section 1285 et seq. Further, the arbitration process set forth above and arbitration in general is not to be used to resolve any other issue, beyond the determination of fair market rental under this Lease.

6. Should COUNTY fail to do an appraisal to reestablish the Minimum Monthly Rent and give TENANT notice of the reestablished Minimum Monthly Rent before the Property Reappraisal Date, COUNTY may thereafter complete an appraisal, which shall use the same Valuation Date, to reestablish the Minimum Monthly Rent. In such case, TENANT shall immediately commence to pay the reestablished Minimum Monthly Rent on the day TENANT receives notice of the new Minimum Monthly Rent but shall not be liable for any increase in Minimum Monthly Rent from the Property Reappraisal Date until the notice was received. Any such delay in reestablishing the Minimum Monthly Rent shall not result in any alteration or delay of the next scheduled Property Reappraisal Date, nor shall any such delay alter or delay the next scheduled Adjustment Date.

EXHIBIT "E"

DEFINITION OF PLANS

A. Schematic Plans

Schematic Plans shall include a site layout of all land and drainage flow areas showing uses, buildings, landscape development, and other features, schematic floor plans of all structures, simple elevations of buildings, architectural theme, and a detailed description of improvements and methods of operation, and a general outline specification indicating materials and methods of construction, and an estimate of the total cost of improvements planned.

B. Preliminary Plans

Preliminary plans shall consist of the following:

1. A detailed site plan of all land and water areas showing all improvements planned for the site. This plan shall include any easements set forth in the lease, location of all utilities, drainage plan and grade elevations of all structures;
2. Floor plans, elevations, and sections of all structures;
3. Finalized landscape development plans with horticulture palette and irrigation plans;
4. Complete outline specifications to cover all phases of the work;
5. A detailed cost estimate of all improvements;
6. Exterior color scheme; and
7. Colored rendering or model.

C. Working Drawings

These shall consist of the following:

1. Complete architectural, landscape, and engineering working drawings;
2. Complete specifications; and
3. Construction schedule.

EXHIBIT "F"

WORKING PLANS, SPECIFICATIONS AND CONSTRUCTION SCHEDULE

Hangar #2 Improvements

1. Replace all overhead lighting with efficient long-lasting LED bulbs
2. Paint floor
3. Improve ladies' restroom
4. Paint walls
5. Remove all materials hazard, non-hazard from premises

Not specific to Hangar #2

1. Refurbish men's and ladies' room in shed 3
2. Add aircraft tie-down system to East parking ramp

EXHIBIT "G"

CONSENT TO HYPOTHECATION

SAN BERNARDINO COUNTY, hereinafter referred to as "COUNTY" and _____ hereinafter referred to as "TENANT", entered into a Lease Agreement dated _____, hereinafter after referred to as "Lease", covering certain real property located in San Bernardino County, State of California, hereinafter referred to as "Demised Premises".

By use of the following documents which are attached hereto and made a part hereof, and hereinafter collectively referred to as "Documents", TENANT proposes to hypothecate its leasehold estate created under said Lease:

These documents are for financing related to leasehold development of said Demised Premises.

On this _____ day of _____, _____, COUNTY hereby consents to the execution, delivery, and recordation of the above stated documents subject to the following terms and conditions:

1. That _____, hereinafter referred to as "LENDER", shall fully reconvey all interest in said real property upon repayment of the loan described in the loan document since the sole purpose of the hypothecation of the subject leasehold estate is to secure the loan amount for LENDER.

2. Except as otherwise provided herein, the above-referenced documents and any other future additional instruments which may be approved by COUNTY or its agents, shall be subject to each and every covenant, condition, and restriction set forth in said Lease, and to all rights and interest of the COUNTY therein, none of which are or shall be waived by this Consent.

3. In the event of any conflict between the provisions of said Lease and the provisions of said documents, the provisions of said Lease shall control.

4. Any additions or modifications to said financing documents shall first be approved by the COUNTY. TENANT warrants that all documents and agreements pertaining to the hypothecation of its leasehold have been fully disclosed to COUNTY.

5. The proceeds of the loan to TENANT shall be used solely for payment of expenses incident to construction on the Demised Premises of the improvements allowed under Paragraph 11, IMPROVEMENTS, of the Lease and describe in the loan documents.

SAN BERNARDINO COUNTY

NAME OF TENANT

By: _____

By: _____
(Authorized signature – sign in blue ink)

Dated: _____

Name: _____

Title: _____

APPROVED AS TO LEGAL FORM

Date: _____

MICHELLE D. BLAKEMORE, County Counsel
San Bernardino County, California

By: _____
Deputy County Counsel

Dated: _____

EXHIBIT "H"
ADDITIONAL LENDER TERMS

N/A

EXHIBIT "I"

GUARANTY OF LEASE

This Guaranty of Lease ("Guaranty") dated as of _____ [date] is executed by _____ [guarantor's name, including capacity, if appropriate] ("Guarantor") in favor of Landlord, San Bernardino County ("Landlord").

Recitals

B. Landlord and _____ [tenant's name, including capacity, if appropriate] ("Tenant") have entered into a lease dated as of _____ [date-identify as Lease referenced date or execution date] ("Lease"), whereby Landlord agreed to lease to Tenant and Tenant agreed to lease from Landlord the premises located at _____ [address of leased premises] more particularly described in Exhibit A to the Lease, to which the Guaranty is attached.

C. As a condition to entering into the Lease, Landlord has required that Guarantor execute and deliver to Landlord this Guaranty.

In consideration of Landlord entering into the Lease of the Premises to Tenant, Guarantor covenants and agrees as follows:

Section 1. Guaranty.

Guarantor absolutely and unconditionally guarantees to Landlord the timely payment of all amounts that Tenant may at any time owe under the Lease, or any extensions, renewals, or modifications of the Lease. Guarantor further guarantees to Landlord the full, faithful, and timely performance by Tenant of the Lease, or any extensions, renewals, or modifications of the Lease. If Tenant shall default at any time in the payment of any rent or any other sums, costs, or charges, or in the performance of any covenant or obligation under the Lease, then Guarantor, at Guarantor's expense, shall on demand by Landlord fully and promptly pay all rent, sums, costs, and charges to be paid and perform all other covenants and obligations to be performed by Tenant pursuant to the Lease. In addition, and notwithstanding any contrary language in the Lease, Guarantor shall on demand by Landlord pay to Landlord all sums due to Landlord, including, without limitation, all interest on past due obligations of Tenant, costs advanced by Landlord, damages, and all expenses (including, without limitation, court costs and reasonable attorney fees) that may arise in consequence of Tenant's default.

Section 2. Waivers.

Guarantor authorizes Landlord, without notice or demand and without affecting Guarantor's liability under this Guaranty, to:

(a) consent to any extensions, accelerations, or other changes in the time for any payment provided for in the Lease, or consent to any other alteration of any covenant, term, or condition of the Lease in any respect, and to consent to any assignment, subletting, or reassignment of the Lease;

(b) take and hold security for any payment provided for in the Lease or for the performance of any covenant, term, or condition of the Lease, or exchange, waive, or release any security; and

(c) apply this security and direct the order or manner of its sale as Landlord may determine. Notwithstanding any termination, renewal, extension or holding over of the Lease, this Guaranty of Lease shall continue until all of the covenants and obligations on the part of Tenant to be performed have been fully and completely performed by Tenant and Guarantor

EXHIBIT "I"

GUARANTY OF LEASE

shall not be released of any obligation or liability under this Guaranty so long as there is any claim against Tenant arising out of the Lease that has not been settled or discharged in full.

Section 3. Independent Obligations.

The obligations of Guarantor under this Guaranty are independent of, and may exceed, the obligations of Tenant. A separate action may, at Landlord's option, be brought and prosecuted against Guarantor, whether or not any action is first or subsequently brought against Tenant, or whether or not Tenant is joined in any action, and Guarantor may be joined in any action or proceeding commenced by Landlord against Tenant arising out of, in connection with, or based upon the Lease. Guarantor waives any right to

(a) require Landlord to proceed against Tenant or any other person or entity or pursue any other remedy in Landlord's power;

(b) complain of delay in the enforcement of Landlord's rights under the Lease; and

(c) require Landlord to proceed against or exhaust any security held from Tenant or Guarantor. Guarantor waives any defense arising by reason of any disability or other defense of Tenant or by reason of the cessation from any cause of the liability of Tenant. Guarantor waives all demands upon and notices to Tenant and to Guarantor, including, without limitation, demands for performance, notices of nonperformance, notices of non-payment, and notices of acceptance of this Guaranty of Lease.

Section 4. Definition of Tenant.

For purposes of this Guaranty of Lease and the obligations and liabilities of Guarantor, the term "Tenant" shall be deemed to include any and all concessionaires, licensees, franchisees, department operators, assignees, subtenants, or others directly or indirectly leasing or occupying the Premises leased under the Lease or operating or conducting a business in or from these Premises.

Section 5. No Reporting Duty.

Guarantor assumes full responsibility for keeping fully informed of the financial condition of Tenant and all other circumstances affecting Tenant's ability to perform Tenant's obligations under the Lease and agrees that Landlord will have no duty to report to Guarantor any information that Landlord receives about Tenant's financial condition or any circumstances bearing on Tenant's ability to perform such obligations.

Section 6. Continuing Guaranty.

This Guaranty shall remain in full force notwithstanding the appointment of a receiver to take possession of all or substantially all of the assets of Tenant, or an assignment by Tenant for the benefit of creditors, or any action taken or suffered by Tenant under an insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or later amended or enacted, or the disaffirmance of the Lease in any action or otherwise.

Section 7. Joint and Several Obligations.

EXHIBIT "I"

GUARANTY OF LEASE

If this Guaranty of Lease is signed, or if the obligations of Tenant are otherwise guaranteed, by more than one party, their obligations shall be joint and several, and the release or limitation of liability of any one or more of the guarantors shall not release or limit the liability of any other guarantors.

Section 8. Successors and Assigns.

This Guaranty of Lease shall be binding upon Guarantor and Guarantor's heirs, administrators, personal and legal representatives, successors, and assigns, and shall inure to the benefit of Landlord and Landlord's successors and assigns. Landlord may, without notice, assign this Guaranty of Lease, the Lease, or the rents and other sums payable under the Lease, in whole or in part.

Section 9. Guaranty of Costs and Fees.

In addition to the amounts guaranteed, Guarantor agrees to pay reasonable attorney fees and all other costs and expenses incurred by Landlord in enforcing this Guaranty of Lease or in any action or proceeding arising out of, or relating to, this Guaranty of Lease.

Section 10. Governing Law

This Guaranty of Lease shall be deemed to be made under and shall be governed by California law in all respects, including matters of construction, validity, and performance, and the terms and provisions of this Guaranty may not be waived, altered, modified, or amended except in a writing signed by an authorized officer of Landlord and by Guarantor.

Section 11. Severance.

If any of the provisions of this Guaranty of Lease shall contravene or be held invalid under the laws of any jurisdiction, this Guaranty of Lease shall be construed as if it did not contain those provisions, and the rights and obligations of the parties shall be construed and enforced accordingly.

Section 12. Counterparts.

This Guaranty of Lease may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument.

Guarantor has executed this Guaranty as of the date first written above.

[Guarantor's name, including capacity, if appropriate, and signature]

EXHIBIT "J"

LIST OF FORMER COUNTY OFFICIALS

INSTRUCTIONS: List the full name of the former COUNTY Administrative Official, the title/description of the Official's last position with the COUNTY, the date the Official terminated COUNTY employment, the Official's current employment and/or representative capacity with the COUNTY, the date the Official entered COUNTY's employment and/or representation.

OFFICIAL'S NAME:

REQUIRED INFORMATION

EXHIBIT "K"

FORM OF COUNTY CONSENT TO SUBLEASE

COUNTY CONSENT TO SUBLEASE

This County Consent to Sublease ("Consent") is made by and between San Bernardino County ("County") and _____ ("Tenant"), and _____ ("Subtenant") and shall be effective as of the date the last of the parties executes this Consent ("Effective Date").

RECITALS

A. The County, as landlord, and the Tenant, as tenant, have previously entered into a Lease Agreement, Contract No. _____ (the "Master Lease") pursuant to which the County leases to the Tenant and the Tenant leases from the County certain real property commonly known as _____, consisting of approximately _____ acres of land ("Premises"), located at Chino Airport in San Bernardino County, California for a term that is currently scheduled to expire on _____.

B. The Tenant now desires to sublease the Premises ("Subleased Premises") to the Subtenant.

C. The Tenant and the Subtenant desire to enter into a sublease agreement ("Sublease") attached hereto as Exhibit "A" pursuant to which the Tenant would sublease to the Subtenant and the Subtenant would sublease from the Tenant the Subleased Premises.

D. In accordance with Paragraph 13, Assignment and Subletting of the Master Lease, the Tenant has requested the County's consent to the Sublease.

AGREEMENT

NOW THEREFORE, in consideration of the payment of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00) by the Tenant, the foregoing recitals, which are incorporated herein by reference, the mutual covenants contained in this Consent, and for other good and valuation consideration, the sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Consent to the Sublease.** The County hereby consents to the Sublease of the Subleased Premises from the Tenant to the Subtenant on the terms and conditions set forth in this Consent.

2. **Conditions to the County's Consent.** Without in any way limiting the provisions of this Consent, the County's consent to the Sublease is conditioned upon the compliance of the Tenant and the Subtenant with all of the following:

(a) **Consent Review Payment.** At the time the Tenant executes this Consent, the Tenant shall pay to the County the sum of One Thousand Five Hundred and 00/100 Dollars (\$1,500.00), as required under the Master Lease.

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FORM OF COUNTY CONSENT TO SUBLEASE

(b) Representation and Warranties of Tenant. The Tenant hereby represents, warrants, and covenants to the County, which shall remain true and accurate for the duration of this Consent and the Sublease, that: (i) Exhibit A is a true, complete, and accurate copy of the Sublease and that no amendments or modifications of the Sublease shall be made without the prior written consent of the County; (ii) the Tenant has delivered a true, complete, and accurate copy of the Master Lease to the Subtenant; (iii) the Base Rent set forth in the Sublease is the only Rent payable by the Subtenant to the Tenant. For purposes of this Consent, the term "Rent" shall mean and include all consideration paid by or given, directly or indirectly, for the use of the Subleased Premises or any portion thereof. The term "consideration" shall mean and include all money, services, property, and other thing of value, such as payment of costs, cancellation of indebtedness, discounts, rebates, improvement allowances, rent-free periods, leasing inducements, and the like. The County shall have the right to audit and review the Tenant's records related to the Sublease and the Rent paid and payable pursuant thereto at any time and from time to time. In the event that any such audit and review reflects that the County has been paid less the amount required to be paid to the County pursuant to the Master Lease and this Consent, the Tenant shall be responsible for the cost of the County's audit, including, without limitation, time expended by County staff; and (iv) the Tenant acknowledges that the County is not in default under the Master Lease and that the Tenant has no existing claims against the County or right of offset or defense against enforcement by the County of the obligations of Tenant under the Master Lease.

(c) Representation and Warranties of Subtenant. The Tenant hereby represents, warrants, and covenants to the County, which shall remain true and accurate for the duration of this Consent and the Sublease, that: (i) Exhibit A is a true, complete, and accurate copy of the Sublease and that no amendments or modifications of the Sublease shall be made without the prior written consent of the County; (ii) the Subtenant has received a true, complete, and accurate copy of the Master Lease from the Tenant, (iii) the Base Rent set forth in the Sublease is the only Rent payable by the Subtenant to the Tenant. In the event that the Master Lease provides for the payment by Tenant to the County of Commercial Charges and Commission Payments pursuant to Paragraph 4, Rent of the Master Lease, the Subtenant agrees to comply with all of the terms and provision of the Master Lease with respect such payment, including, without limitation, the inclusion of Subtenant's gross revenue in the Subleased Premises in such payments and the maintenance of records with respect to the same; (iv) the financial statements and other information submitted to the County regarding the Subtenant in accordance with Paragraph 13, Assignment and Subletting of the Master Lease are true, complete, and accurate as of the date such statements and information are delivered to the County; and (v) the Subtenant agrees to assume all of the obligations of the Tenant under the Master Lease with respect to the Subleased Premises.

(d) Master Lease Governs. Notwithstanding anything to the contrary in the Sublease or this Consent: (i) the term of the Sublease shall not commence prior to the Effective Date of this Consent; (ii) the term of the Sublease shall not exceed the expiration date or earlier termination of the Master Lease; (iii) the use of the Subleased Premises shall not exceed the use permitted for the Premises pursuant to the Master Lease; (iv) all options in favor of the Tenant in the Master Lease are personal to the Tenant and shall not be exercisable by or transferred (in whole or in part) to the Subtenant; (v) the Sublease shall at all times be subject and subordinate to the Master Lease and the terms of the Sublease shall not be construed in any way to modify, waive, release, or otherwise affect any of the terms and conditions of the Master Lease or waive any breach of the Master Lease by the Tenant; and (vi) the Master

EXHIBIT "K"

FORM OF COUNTY CONSENT TO SUBLEASE

Lease shall govern and the County is not bound by any of the terms of the Sublease nor shall the Subtenant have any rights to enforce the Master Lease against the County.

(e) Adjustment of the Minimum Monthly Rent. The Minimum Monthly Rent (as defined in the Master Lease) payable by Tenant pursuant to the Master Lease shall be increased by an additional amount of _____ Dollars (\$_____) per month, and as of the Effective Date, the Minimum Month Rent payable by the Tenant for the Premises shall be the total sum of _____ Dollars (\$_____) per month, which shall be subject to subsequent adjustments pursuant to Paragraph 5, Adjustment to Monthly Minimum Rent of the Master Lease.

(f) Excess Minimum Monthly Rent Payment. The Tenant shall pay to the County _____ percent (____%) of the Rent (as defined in this Consent) payable by the Subtenant to the Tenant pursuant to the Sublease in excess of the Minimum Monthly Rent payable by the Tenant to the County on account of the Subleased Premises. As of the Effective Date, the Tenant shall pay the amount of _____ Dollars (\$_____) per month for such excess payment, which shall be due and payable to the County at the same time that the Minimum Monthly Rent is payable to the County under the Master Lease. In the event that the Master Lease provides for the payment by Tenant to the County of Commercial Charges and Commission Payments pursuant to Paragraph 4, Rent of the Master Lease, the gross revenue of the Subtenant in the Subleased Premise shall be included in the gross revenues of the Tenant for such purpose, and the Tenant shall specifically require the Subtenant to comply with all of the terms and provision of the Master Lease with respect such payment, including, without limitation, the maintenance of records with respect to the same. The Tenant's failure to pay any sums to the County as and when set forth in this subparagraph shall be an event of default under the Master Lease, entitling the County to all remedies available to a landlord against a defaulting tenant, including, without limitation, those remedies set forth in the Master Lease. Any Rent which is to be passed through to the County by the Tenant pursuant to this subparagraph shall be paid to the County in cash, irrespective of the form in which received by the Tenant from the Subtenant. In the event that any Rent received by the Tenant from the Subtenant is in a form other than cash, the Tenant shall pay to the County in cash the fair market value of such consideration, as determined by the County, whose determination shall be conclusive. The County and the Tenant agree that the payment required by this subparagraph represents payment for the County's property rights in and to the leasehold estate created by the Master Lease and constitutes additional rent due and payable by the Tenant pursuant to the Master Lease.

(g) Security Deposit Increase. The security deposit required of the Tenant under the Master Lease shall be increased by the amount of _____ Dollars (\$_____) and the Tenant shall, along with its execution of this Consent, deposit such additional amount with the County, which shall be held by the County in accordance with Paragraph 5, Security Deposit under the Master Lease.

(h) Assignment of Rents. As required by the Master Lease, the Tenant irrevocably assigns to the County, as security for the Tenant's obligations under the Master Lease, all rent due to the Tenant under the Sublease. The County, as assignee and as attorney-in-fact for the Tenant, may collect such rent and apply it toward the Tenant's obligations under the Master Lease except that, until the occurrence of a default by the Tenant under the Master Lease or this Consent, the Tenant shall have the right to collect such rent. In the event that Tenant is in default in accordance with the terms and conditions of the Master

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Lease or this Consent, the Tenant's right to collect such Rent shall automatically terminate, without the requirement of notice to the Tenant or the Subtenant, and the County may, at its option, upon notice to the Subtenant, collect, directly from the Subtenant, all Rent thereafter due and payable under the Sublease. Notwithstanding the foregoing, the County's collection of Rent directly from the Subtenant, regardless of the circumstances or reasons, therefore, shall in no manner whatsoever be deemed an attornment by the Subtenant to the County or serve to release the Tenant from any liability under the terms and conditions of the Master Lease in the absence of a specific written agreement signed by the County to such an effect. The County shall not, by reason of this paragraph of the Consent nor by reason of the collection of the Rent from the Subtenant be deemed liable to the Subtenant for any failure of the Tenant to perform and comply with the Tenant's obligations under the Sublease. The Tenant hereby irrevocably authorizes and directs the Subtenant, and the Subtenant agrees, upon receipt of any written notice from the County stating that the Tenant is in default in accordance with terms of the Master Lease or this Consent, to pay to the County all Rent payable under the Sublease. The Tenant agrees that: (i) the Subtenant shall have the right to rely upon any such written notice from the County, and (ii) the Subtenant is hereby instructed to pay Rent to the County without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from the Tenant to the contrary. The acceptance of Rent by the County from the Subtenant shall not be deemed a waiver by the County of any terms and conditions of the Master Lease.

(i) Continuing Liability of Tenant. Notwithstanding anything to the contrary in the Sublease or this Consent: (i) the Tenant shall remain primarily liable for and shall not be discharged nor released from the full and faithful performance of any of the provisions of the Master Lease (whether past, present, or future); and (ii) the County shall be entitled to pursue all remedies available in the event of any default by the Tenant of the Tenant's obligations under the Master Lease without regard to the Subtenant's performance or non-performance of the Subtenant's obligation under the Sublease and any default under the Master Lease (whether by the Tenant or the Subtenant) shall be a default of the Tenant under the Master Lease.

(j) Effect of Consent. This Consent is effective only for this Sublease and any subsequent sublease or assignment of the Premises or the Subleased Premises (in whole or in part) requires the County's separate written consent in accordance with the Master Lease. This Consent is not a consent to any improvements or alterations to or in the Subleased Premises, and prior to the undertaking by the Tenant or the Subtenant of any improvements or alterations to or in the Subleased Premises, the Tenant shall obtain the County's prior written consent in accordance with the Master Lease.

(k) Effect of Tenant Default on Sublease. In the event that that the Tenant is in default in accordance with terms of the Master Lease or this Consent, then the County may, at its option: (i) terminate the Master Lease, in which event, the Sublease shall simultaneously terminate on the date the County exercises said option and the Subtenant shall vacate the Subleased Premises within thirty (30) days thereafter; or (ii) without being obligated to do so, unilaterally require the Subtenant to attorn to the County, in which event, the Subtenant agrees to be bound to the County under the terms and conditions of the Sublease as if the County were the landlord under the Sublease from the time of the County's exercise of said option until the expiration or earlier termination of the Sublease, provided that in no event shall the County be liable to the Subtenant for any prepaid Rent nor any security deposit paid by the Subtenant to

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FORM OF COUNTY CONSENT TO SUBLEASE

the Tenant nor shall the County be liability for any other defaults of the Tenant (whether accrued or continuing as of the date of attornment) under the Sublease. Such attornment shall be self-operative without the execution of any further instruments except that the Subtenant shall execute such instrument as the County may require. This subparagraph shall not limit the County's remedies against the Tenant pursuant to the Master Lease or this Consent.

3. **Notices.** Any notice, demand, request, consent, approval, or communication that the parties desire or are required to give to the other party, including but not limited to, notices required under the California unlawful detainer statutes, or any other person, shall be in writing and either served personally or sent by prepaid, first-class mail. Any such notice, demand, request, consent, approval, or communication that any party desires or is required to give to another party shall be addressed to said party. Any party may change its address by notifying the other parties of the change of address. Notices shall be deemed communicated two (2) working days from the time of mailing if mailed as provided in this paragraph to the addresses set forth below:

If to County: San Bernardino County
 Department of Airports
 777 East Rialto Avenue
 San Bernardino, CA 92415

If to Tenant:

If to Subtenant:

4. **Miscellaneous.** The following provisions shall apply to this Consent: (a) this Consent shall be construed and interpreted in accordance with the laws of the State of California; (b) if any legal action is instituted to enforce or declare any party's rights hereunder, each party, including the prevailing party, must bear its own costs and attorneys' fees, (c) if any provision of this Consent is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect; (d) as this Consent was prepared by the parties, the language in all parts of this Consent shall be construed, in all cases, according to its fair meaning, and not for or against any party hereto; (e) this Consent, including the recitals, constitutes a single, integrated agreement, expressing the entire agreement and understanding of the parties concerning the subject matter of this agreement, and this agreement supersedes and replaces all prior understandings, negotiations, proposed agreements, and agreements, whether oral or written, express or implied; (f) no waiver, modification or amendment of any term, condition, or provision of this Consent shall be valid or shall have any force or effect unless made in writing and signed by the parties hereto; and (g) the parties to this Consent represent that the signators executing this Consent are fully authorized to enter into this Consent.

IN WITNESS THEREOF, the parties executed this Consent.

EXHIBIT "K"

FORM OF COUNTY CONSENT TO SUBLEASE

COUNTY: San Bernardino County

By: _____
Title: _____
Date: _____

TENANT:

By: _____
Title: _____
Date: _____

SUBTENANT:

By: _____
Title: _____
Date: _____

APPROVED AS TO LEGAL FORM

TOM BUNTON, County Counsel
San Bernardino County, California

By: _____
Kristina M. Robb, Principal Assistant County
Counsel

Dated: _____