



**STAFF REPORT
CITY COUNCIL AGENDA**

DATE: 7/15/16	AGENDA ITEM: Consent # A.14.1
STUDY SESSION DATE: N/A	MEETING DATE: 8/1/16
CEQA DATE: 5/26/16	

TITLE OF ITEM: RESOLUTION NO. 2016-114, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER APPROVING A GROUND LEASE WITH ZEE.AERO INC. FOR A 14,000 SQUARE FOOT HANGAR, OFFICES, AIRCRAFT RAMP, AND PARKING AREA.

BRIEF DESCRIPTION: This item would instruct the City Manager to sign a 34 year ground lease with Zee.Aero Inc. at a rate of \$5,848.58 a month. At the conclusion of the lease, the improvements revert to City ownership.

STAFF RECOMMENDATION: Staff recommends that the City Council Approve Resolution No. 2016-114, approving a ground lease with Zee.Aero Inc.

DEPARTMENT SUMMARY:

I am seeking approval for the City Manager to execute a ground lease with Zee.Aero Inc. Zee has been an outstanding tenant at the airport for the last 2 years. They wish to expand their facilities and construct a new facility. This lease will provide them a ground lease on .93 acres of land at the Hollister Municipal Airport. This property is located on the west side of the airport across from existing hangars. The property has been designated for this use by the 2004 Airport Master Plan. Most recently the property received approval from the Federal Aviation Administration for this use in 2009 Airport Layout plan. Zee.Aero Inc. intends to construct a 14,000 square foot hangar and office building, and adjacent 9,943 square foot parking area for employees, and a 16,411 square foot aircraft ramp. The project was approved by the planning commission on 5/26/16. The term of this lease is for 34 years from the date of execution. Initial rent is \$2,940 per month for a term of 2 years or construction has concluded. Upon occupancy rent will be \$5,848.58 per month with a CPI escalator included in the lease. Per the terms of the lease all improvements become the property of the City of Hollister at the conclusion of the lease. This lease agreement will generate at least \$1.9 Million without CPI adjustments.

ATTACHMENTS: Lease

FINANCIAL IMPACT:	Increase in Airport revenue of approximately \$70,000/year
DEPARTMENT:	Airport
CONTACT PERSON:	Mike Chambless, Management Services Director
DEPARTMENT HEAD:	Mike Chambless, Management Services Director
PHONE NUMBER:	(831) 636-4365

THIS REPORT WAS REVIEWED BY THE EXECUTIVE DIRECTOR WHO CONCURS WITH THE STAFF RECOMMENDATION: _____

Bill Avera, City Manager

RESOLUTION NO. 2016-114

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER
APPROVING A GROUND LEASE WITH ZEE.AERO INC FOR A 14,000 SQUARE
FOOT HANGAR, OFFICES, AIRCRAFT RAMP, AND PARKING AREA**

WHEREAS, the City of Hollister owns and operates the Hollister Municipal Airport; and

WHEREAS, Zee.Aero Inc. is interesting in renting land from the airport to construct a new aircraft facility; and

WHEREAS, the City of Hollister has approved the location for the facility; and

WHEREAS, the Federal Aviation Administration has approved the location for the facility; and

WHEREAS, the Airport Land Use Plan has approved the location for the facility; and

WHEREAS, the City of Hollister Planning Commission approved the CEQA negative declaration for the facility; and

WHEREAS, the City of Hollister Planning Commission has approved the plans for the facility.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Hollister, State of California authorizes the City Manager to execute the attached lease with Zee.Aero Inc.

AYES:

NOES:

ABSENT:

Ignacio Velazquez, Mayor

ATTEST:

Thomas A. Graves, CMC, City Clerk

APPROVED AS TO FORM:

City Attorney

Recorded By and Return to:

**City of Hollister
Office of the City Clerk
375 Fifth Street
Hollister, CA 95023**

**HOLLISTER MUNICIPAL AIRPORT
GROUND LEASE AGREEMENT**

**(Lease of Real Property
Located in City of Hollister,
County of San Benito)**

Between

**CITY OF HOLLISTER,
a California municipal corporation**

And

**ZEE.AERO, INC.,
a Delaware corporation**

Dated for reference purposes only as of

July [], 2016

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GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT ("Lease"), dated as of August __, 2016 ("Effective Date"), is by and between the City of Hollister, a California municipal corporation ("City"), and Zee.Aero, Inc., a Delaware corporation authorized to do business in California ("Tenant"), as follows:

Recitals:

This Lease is entered into with reference to the following facts and circumstances, which are hereby found and determined by the parties:

A. City owns and operates the Hollister Municipal Airport ("Airport") located in the City of Hollister, California.

B. Tenant desires to lease an undeveloped portion of the Airport real property for the construction of a fourteen thousand (14,000) square foot building comprising an airport hangar and offices (the "Hangar"), associated aircraft ramp, and an adjacent on-site automobile parking area (the "Parking Area"). Collectively, the Hangar, offices, ramp and Parking Area shall be referred to hereinafter as the "Improvements".

C. It is mutually agreed that this Lease is subject to the following terms, covenants, conditions and provisions; and Tenant covenants, as a material part of the consideration of this Lease, to keep, perform and comply with each and all of said terms, covenants, conditions and provisions; and this Lease is made upon the condition of such performance and compliance. The City and Tenant hereby agree as follows:

Terms and Conditions

ARTICLE 1. LEASE OF PROPERTY, TERM, EASEMENT AND RESERVATION

1.01 Leased Premises. City hereby leases to Tenant, and Tenant hereby leases from City for the duration of the Term, all of that certain real property being a portion of the Hollister Municipal Airport, identified and shown on Exhibit "A" (Description of Leased Premises), (the "Leased Premises") which is attached hereto and made a part hereof, subject to any utility or other easements on, over, across or under the Leased Premises that are reserved by City. The Leased Premises will be solely comprised of the Improvements, which Tenant will construct in accordance with Exhibit "B" (Work Letter), together with all appurtenances and access rights thereto subject to the terms of this Lease. Upon receipt of the certificate of occupancy of the Improvements, the term "Leased Premises" shall thereafter include the Improvements and all appurtenances and access rights thereto.

1.02 Term.

1.02.1 The "Term" of this Lease shall commence on the Effective Date and expire on the last day of December 2050 (the "Expiration Date").

1.02.2 Termination Option. Tenant shall have the right to terminate the Lease ("Termination Option") conditioned upon: (1) Tenant providing City with sixty (60) days' advance written notice of termination; and (2) Tenant paying City an amount equal to six months' rent then due under the terms of this Lease.

1.03 Avigation Easement. The Leased Premises is subject to an easement and right of way for the unobstructed passage of aircraft in the airspace above the Leased Premises, which is reserved by City for the benefit of itself and all members of the general public operating aircraft which land at or take off from the Airport. Concomitant and coextensive with said easement and right of way, City and general public shall have the further right to cause in all airspace above the surface of the Leased Premises such noise, vibrations, fumes, dust, fuel particles, and other effects that may be caused by the operation of aircraft landing at or taking off from or otherwise operating at the Airport. In connection with this easement and right of way, Tenant agrees not to use or permit the use of the Leased Premises in such a manner as to create electrical interference with radio

communications between aircraft and the Airport, to make it difficult for flyers to distinguish between airport lights and other lights, to impair visibility in the vicinity of the Airport, or to otherwise endanger aircraft landing at or taking off from the Airport. Tenant further agrees that in the event it causes or permits any condition on the Leased Premises which endangers aircraft landing at or taking off from the Airport, then City shall have the right, following written notice pursuant to Section 1.01.5 below, to enter upon the Leased Premises (who may be accompanied by Tenant) and take reasonable measures to remove such structure, natural growth, object or condition endangering aircraft landing at or taking off from the Airport, all at Tenant's sole cost and expense.

1.04 Reservation. City reserves the right to install, lay, replace, construct, maintain, repair, and operate such sanitary sewers, drains, storm water sewers, pipelines, manholes, and connections, water, oil and gas pipelines, telephone, telegraph and electrical power lines, and the appliances and appurtenances necessary or convenient in connection therewith, in, over, upon, through, across and along any and all portions of the Leased Premises, provided, however, that such reservations do not unreasonably interfere with Tenant's operations or impair the security of any secured creditor of Tenant.

1.05 Notice. Prior to exercising any rights or reservations stated in Section 1.03 and Section 1.04 above, City shall give reasonable notice thereof to Tenant (except, as to access only, in the event of an emergency in the opinion of City acting reasonably, in which case, reasonable notice shall be sufficient). It is expressly agreed that in exercising the rights and reservations under Section 1.03 and 1.04, the City shall not under any circumstances materially hinder or impair or otherwise interfere with the full use and enjoyment of the Leased Premises for the purposes authorized by this Lease, subject to the reservations and easements described in this Article 1. The City shall indemnify, defend and hold harmless Tenant from and against all injury, liability or damage, whether to person or property, arising from the City's (or its licensees' or permittees') activities on the Lease Premises in connection with Section 1.03 and 1.04 above.

1.06 Abatement During Interruption. The foregoing notwithstanding, if the City's activities under Section 1.03 or Section 1.04 interrupt, prevent, or materially interfere with, the Tenant's full use and enjoyment of the Leased Premises for any period in excess of three (3) calendar days, all Rent under this Lease shall be abated for the full period of such prevention or material interference, even if due to a Force Majeure Event. The Parties acknowledge and agree that the annual air show conducted by the City of Hollister at the Airport shall not constitute an interruption, prevention, or material interference with Tenant's full use and enjoyment of the Leased Premises.

ARTICLE 2. RENTS AND FEES

2.01 Time and Place of Payment. Tenant must pay all rental charges and all other obligations due to the City under this Lease every month in advance on or before the first day of the month during the term of this Lease at the office of the City Finance, City Hall, 339 Fifth Street, Hollister, California 95023, or at such other place as may be designated in writing by City from time to time. For purposes of calculating and (if applicable) prorating rents and other charges due, each month will be considered to have thirty (30) days, and each year of the initial or any extended term of this Lease to have three hundred sixty (360) days.

2.02 Rent. Tenant shall commence paying monthly rent for the Leased Premises as stated in this Lease. Tenant agrees to diligently pursue the necessary entitlements from the City of Hollister to construct the Improvements. Commencing with the later to occur of: (a) the date that Tenant receives a building permit to construct the Improvements, or (b) the Execution Date, Tenant shall pay monthly rental in an amount calculated by multiplying the square footage of the Hangar, as described in the building permit application (submitted to City building department with jurisdiction for building permits), by Twenty One Cents (\$.21) (the "Initial Rent Amount"). The Initial Rent Amount shall be paid until receipt of a final Certificate of Occupancy for the Improvements from City, but for a maximum of twenty four (24) months. Upon the date of such occupancy receipt or upon the end of twenty four months (whichever occurs first), the monthly rent shall be increased to a monthly rental amount to be calculated by multiplying the actual square footage of the Hangar and parking area by Twenty One Cents (\$.21) and the ramp area actual square footage by Five Cents (\$.05), which rent Tenant shall continue to pay throughout the Term subject to adjustment as provided in Section 2.03 hereafter. If a governmental authority, other than the City, objects to the Improvements, the Tenant and City agree to meet in good faith within thirty (30) days after notice of the objection to pursue options to implement this Lease and where no options are available to construct the Improvements then this Lease shall be void and of no

further force and effect.

The monthly rent shall be paid on the first of each month by cash or check without deduction or offset. In the event that any installment of rent is not received by the City by the fifth day of the month, Lessee shall pay to the City, without deduction or offset, liquidated damages as provided in Section 2.04 herein.

2.03 Rent Adjustments. If, during the term of this Lease the Consumer Price Index ("CPI") published for April is greater than the CPI last published for April of the previous year, then the basic monthly rent due during the remaining term of this Lease shall be adjusted in the same proportion that the CPI in April bears to the CPI last published in April of the previous year. For the purposes of this Lease, the CPI shall be that published by the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for all urban consumers in the San Francisco-Oakland-San Jose statistical area. Tenant will continue to pay rent at the rate previously in effect until the adjustment, if any, is determined. Within ten (10) days following the date on which the adjustment is determined, Tenant must make such payment to the City as will bring the adjusted rental current, commencing with the effective date of such adjustment through the date of any rental installments then due. Thereafter, the rent will be paid at the adjusted rate until the next adjustment date. In the event the compilation or publication of the CPI is transferred to any other governmental department or bureau or agency or is discontinued, the index most nearly the same as the CPI will be used to make such calculations.

2.04 Delinquency Charge. Should any payments due under this Lease remain unpaid five (5) days after the due date of such payment, liquidated damages of ten percent (10%) will be added to any payments past due and owing. Interest on any unpaid rents, charges and liquidated damages will accrue at the rate of one and one half percent (1.5%) per month thereafter until paid.

2.05 Initial Month's Rental Deposit. Upon execution of this Lease, Tenant shall pay to City the first month's rent due to City for the Leased Premises, which will be applied to Tenant's obligation under this Lease.

ARTICLE 3. USE OF LEASED PREMISES

3.01 Use. This Lease is made for the purpose of allowing Tenant exclusive use of the Leased Premises, for lawful uses that are customary and related to private airport uses, and for uses incidental and reasonably related thereto, subject to the terms of this Article 3. Tenant shall not use the Leased Premises, or any part thereof, or permit them to be used for any other purpose than as described herein. Tenant shall not construct any improvement, or allow any construction on the Leased Premises, without first obtaining City's written consent. City has determined that the Premises may only be

appropriately modified by the Improvements, and no other use of the Premises is contemplated by the City or Tenant. Tenant acknowledges that any change to the proposed use of the Premises may not be approved by the City and that Tenant's right to construct on the Leased Premises is limited to construction of the Improvements as defined in this Lease and described in more detail in the Work Letter attached hereto Exhibit B.

3.02 Airport Rules & Regulations. In making use of the Leased Premises as specified in this Lease, Tenant must, in common with all other users of the Airport, comply with any adopted Master Plan or other Plans for the Airport, and the following:

a) Tenant acknowledges that Tenant has received and reviewed a copy of Hollister Municipal Code Chapter 13.24, the Hollister Airport Rules and Regulations, and will comply with these Rules as well as any additional operating standards or requirements promulgated by City and applicable to each of Tenant's activities on the Airport.

b) Subject to the provisions of California Code of Civil Procedure 731a, Tenant will not do or permit to be done upon the Leased Premises any act or thing which constitutes a nuisance. Tenant further agrees, within seventy-two (72) hours from receiving written notice by the City that a nuisance exists, to abate or otherwise cause said nuisance to be cured. In the event Tenant has not taken corrective action within seventy-two (72) hours, the City may enter and abate said nuisance at the expense of Tenant without any liability whatsoever to

City for monetary loss or anticipate profits of Tenant or others.

c) Tenant shall not cause or permit any signs to be placed on the Leased Premises without first obtaining the written consent of City. On expiration or termination of this Lease, Tenant shall at the request of City remove all of its signs and restore the Leased Premises to their original condition.

d) Tenant will comply with all federal, state and local laws, rules and regulations which may apply to the construction, maintenance, repair, improvement of the Leased Premises and conduct of the business provided for and authorized hereunder, including rules and regulations promulgated by the City, and Tenant will maintain in effect and post in a prominent place all necessary or required licenses or permit prior to commencing occupancy and operations. Tenant will be subject to environmental review procedures and practices of the City. If requested by the Airport Manager, Tenant will prepare an Emergency Action/Fire Protection Plan which shall be kept on file with the City's Airport Manager.

e) Tenant agrees, at its own expense, to keep and maintain on the Leased Premises portable fire extinguishers of such number, type and material as may be prescribed from time to time by the City's Fire Department or Airport Management.

f) Tenant shall be responsible, at its sole expense, for the maintenance of the Leased Premises as set forth in Article 10 of this Lease and will keep and maintain the Leased Premises good condition and order, and shall surrender the Leased Premises upon the Expiration Date or earlier termination of this Lease in the same condition as when Tenant took possession of the premises, ordinary wear and tear excepted, at the City's request. Tenant shall be responsible for the maintenance and repair of the Improvements placed on the Leased Premises and shall maintain the Improvements in good repair and order in compliance with all federal, state and local laws, ordinances, and regulations, and shall surrender the Improvements upon the termination of this Lease in good repair and order.

g) Tenant understands and agrees that its right to use the Leased Premises for the purposes provided for by this Lease is not exclusive of the right of any other person or firm to operate the same or a similar business at the Hollister Municipal Airport and to lease property at the Airport from the City for such purposes within the meaning of Section 308A of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1349a). City reserves the right, at its sole discretion, to grant others certain rights and privileges upon the Airport which are identical in part or in whole to those granted to Tennant by this Lease, provided, however, that City's grant of such rights to other parties do not interrupt, prevent, or interfere with Tenant's rights under this Lease or Tenant's operations. Subject to the acknowledgment in Section 1.01.6 above, if City's grant of rights and privileges to others at the Airport under this Section 3.02 interrupt, prevent, or materially interfere with, the Tenant's full use and enjoyment of the Leased Premises for any period in excess of three (3) calendar days, all Rent under this Lease shall be abated for the full period of such prevention or material interruption or interference.

h) Tenant shall maintain the Leased Premises free from weeds, debris, or garbage and shall not allow any physical obstruction interfere with the public access to the Hollister Municipal Airport, or the City's access to the Leased Premises.

3.03 Timing of Construction. Tenant shall begin onsite construction of the Tenant Improvements as soon as reasonably practicable after City's approval or deemed approval of the Plans and shall endeavor to complete construction of the Tenant Improvements no later than two (2) years after the date of City's approval or deemed approval. The parties acknowledge and agree that the timeline set forth in this Section 3.30 shall be tolled during any litigation arising out of: (1) City's approval of the Plans; or (2) Tenant's construction of the Tenant Improvements. For purposes of this Section 3.03, "completion of construction" shall mean the issuance of a certificate of occupancy for the Tenant Improvements.

ARTICLE 4. USE AND MAINTENANCE OF AIRPORT FACILITIES

4.01 Maintenance of Airport Facilities. City shall maintain all public and common or joint use areas of the Airport (excluding the Parking Area), including public ramp areas, in good repair, and shall make such

repairs, replacements or additions thereto as it considers, in its sole discretion, necessary for the safe and efficient operation of the Airport.

4.02 Aerial Approaches. City reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Tenant from erecting or permitting to be erected, any building or other structure on or adjacent to the Airport which, in the opinion of the City, would limit the usefulness of the Airport or constitute a hazard to aircraft.

4.03 Ramp Lighting. Tenant agrees to install ramp lighting to the City's specification for location, level of brightness, and the size and type of lighting fixture.

4.04 Exclusive Rights to Lease Premises; Security. Tenant shall have the exclusive right to occupy the Leased Premises and may exclude from access to the Leased Premises, in its sole discretion, all persons, with the exception of City acting under its right to inspect or enter the Leased Premises under the terms of this Lease. Tenant shall have the right to install security systems in the Premises and any buildings constructed thereon during the Term to monitor, record and/or restrict access to any areas within the Premises, provided that Tenant shall provide City with security codes or key cards for emergency use. In addition, City shall make reasonable efforts to provide Tenant with at least thirty (30) days' prior notice of any of event in the proximity of the Leased Premises, including without limitation public air shows, which are reasonably expected result in greater than normal crowds or traffic at the Hollister Municipal Airport. During any such event, Tenant's right to exclude the public or any other party from the Premises shall remain unaffected and Tenant may post signs designating the Leased Premises as a zone excluded from public access.

ARTICLE 5. TAXES AND ASSESSMENTS

5.01 Payment. Tenant shall meet all of its expenses and payments in connection with the use of the Leased Premises and the rights and privileges herein granted, including any unsecured and possessory interest taxes created by this Lease or the Parties performance thereof, and all permit and license fees, it being understood by Tenant that although the public property is held in public ownership, Tenant's interest therein may be taxable as a possessory interest. Tenant will pay any personal property taxes levied on Tenant's inventory, personal property or trade fixtures. Tenant may, at its sole expense and cost, contest any tax or fee. All taxes, (including possessory interest taxes), fees, assessments, and charges, must be paid prior to their delinquency date, and satisfactory evidence that such amounts have been paid must be furnished to the City upon written request.

ARTICLE 6. SUBORDINATE TO FEDERAL AGREEMENT AND REGULATIONS

6.01 Subordinate to Agreements with U.S. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the City and the United States government or any department thereof relative to the development, operation or maintenance of the Airport.

6.02 War or National Emergency. This Lease and all provisions hereof shall be subject to the rights of the United States government to affect the control, operation, regulation, and exercise of authority over the Airport, or the exclusive or non-exclusive use of the Airport by the United States during a time of war or national emergency.

6.03 Conformance with Federal Aviation Administration Regulations. Tenant agrees that Tenant's use of the Leased Premises, including all future construction, modification or alteration thereon, shall comply with all applicable Federal Aviation Administration regulations now in force or that may be hereafter adopted by Federal authority.

ARTICLE 7. NON-DISCRIMINATION

7.01 Federal Regulations. Tenant, for itself, its heirs, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree "as a covenant running with the land" that in the event facilities are constructed, maintained, or otherwise operated on the Leased Premises, for a

purpose for which a Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, Tenant shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation- Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

7.02 Non-Discrimination. Tenant, for itself, its heirs, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree "as a covenant running with the land" that:

a) No person on the grounds of race, color, sex, religion, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Leased Premises.

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

7.03 Breach of Non-Discrimination Covenants. In the event of breach of any of the above non-discriminatory covenants, City shall have the right to terminate this Lease and to reenter and repossess Leased Premises, and hold the same as if this Lease had never been made or issued. This provision does not become effective until the procedures of 49 CFR part 21 are followed and completed, including expiration of appeal rights.

7.04 Non-Discriminatory Pricing. Tenant shall furnish its accommodations or services on a fair, equal and non-unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and non-unjustly discriminatory prices for each unit or service; provided that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

7.05 Failure to Comply with Non-Discriminatory Covenants. Non-compliance with any of the non-discrimination covenants above shall constitute a material breach of this Lease, and in the event of such breach, the City shall have the right to terminate this Lease and the estate hereby created without liability therefore, or at the election of the City or the United States, either or both of said governments shall have the right to judicially enforce the nondiscrimination covenants.

7.06 Covenants in Ancillary Agreements. Tenant agrees that it shall insert the provisions of this Section 7.06 and the above five provision (§§ 7.01-7.05) in any sublease agreement approved by the City, by which the Tenant grants a right or privilege to any person, firm or corporation to render accommodations or services to the public on the Leased Premises.

ARTICLE 8. CONDITION OF THE LEASED PREMISES

8.01 No Warranty. Tenant understands and agrees that except as expressly provided in this Lease (including the exhibits hereto), no representation, statement, or warranty, express or implied, has been made by or on behalf of the City as to the condition of the Leased Premises or the suitability of the Leased Premises for its intended use, save and except for the representation and warranty that no City officer, employee, or agent has caused any condition of pollution or contamination which may now exist on the Leased Premises. Such representation and warranty, however, shall not extend to any condition of pollution or contamination caused by the federal government or by any other tenant of City. Tenant agrees to accept the Leased Premises in its present condition and "as is" with respect to all conditions which may now exist on or under the Leased Premises save and except for any condition of pollution or contamination caused by an officer, employee, or agent of the City. Moreover, Tenant agrees to waive any claim or right of action against the City which Tenant now has or hereafter may acquire arising out of the Leased Premises, including but not limited to, any claim of indemnity which Tenant may have by reason of costs incurred by Tenant arising out of the condition of the Leased Premises, its soils or the groundwater underlying the Leased Premises, including but not limited to, any claim of indemnity which Tenant

may have by reason of costs incurred by Tenant arising out of the abatement or cleanup of any pollution or contamination condition discovered on the Leased Premises hereinafter, required under applicable state, federal or city laws or regulations save and except for a claim or right of action arising out of a condition of pollution or contamination caused by an officer, employee or agent of the City.

Tenant Initials: _____

8.02 Duty Imposed by Law to Alter Premises. Except as set forth in this Article, if at any time during the initial or any extended Term of this Lease, any law or regulation shall require any alteration, addition, or other change to the Leased Premises, the Improvements, or any part thereof, the same shall be made by Tenant at Tenant's sole cost and expense.

8.03 Environmental Impairment. Tenant, at Tenant's sole cost and expense, shall comply with all applicable laws, regulations, rules and orders with respect to the use of the Leased Premises, regardless of when they become or became effective, including, without limitation, those relating to construction, grading health, safety, noise, environmental protection, waste disposal and water and air quality, and shall furnish satisfactory evidence of such compliance upon request of City.

Should any discharge, leakage, spillage, emission or pollution of any type occur upon or from the Leased Premises due to Tenant's use and occupancy thereof, Tenant, at Tenant's sole cost and expense, shall clean all property affected thereby to the satisfaction of City and any governmental body having jurisdiction there over.

In such case, Tenant shall indemnify, hold harmless and defend City from and against all liability, claim, cost or expense (including, without limitation, any fines, penalties, judgments, litigation costs, attorney fees, and consulting, engineering and construction costs) incurred by City as a result of Tenant's breach of this clause, or as a result of any such discharge, leakage, spillage, emission or pollution caused by Tenant. This provision shall survive beyond expiration of the Lease.

8.03.1 Tenant, however, will not be responsible for any discharge, leakage, spillage, emission or pollution of any type that pre-existed Tenant's occupancy of the Lease Premises. In such case, the City shall indemnify, hold harmless and defend Tenant from and against all liability, claim, cost or expense (including, without limitation, any fines, penalties, judgments, litigation costs, attorney fees, and consulting, engineering and construction costs) incurred by Tenant as a result of City's, breach of this clause, or as a result of any such discharge, leakage, spillage, emission or pollution. This provision shall survive beyond expiration of the Lease.

ARTICLE 9. LEASEHOLD IMPROVEMENTS

9.01 Improvements to Leased Premises. Construction of Tenant's Improvements will take place as described in the Work Letter attached as Exhibit "B". The Parties acknowledge and agree that the execution of this Lease does not vest in Tenant the right to develop the Leased Premises without complying with federal, state, and local development laws, policies, and procedures. During the initial or any extended Term of this Lease, Tenant must not make any additions or alterations to the approved Improvements, including landscaping, on the Leased Premises without the prior written consent of the City, which shall not be unreasonably withheld, conditioned or delayed. Moreover, upon receiving consent to make an addition or alteration to the Improvements on the Leased Premises, Tenant shall not commence work on the construction or installation of such added or altered improvements until plans and specifications for same have been submitted to and approved by the appropriate City departments, review boards, and commissions, which may require submission of a performance bond, proof of insurance, or other condition of approval.

9.02 Title to Improvements. Upon termination of this Lease or any extension of the Lease, whether by expiration of the original Term or extension of the Lease or by the action of either party to terminate the Lease under the terms of this Lease, including but not limited to Article 17 herein, the Improvements or any construction or alteration existing on the Leased Premises shall automatically and immediately become part of the Lease Premises and belong to the City at no cost to City and without further consent or acknowledgement by Tenant. Tenant agrees to immediately take all steps and to execute all documents necessary to transfer

ownership of the Improvements to the City when title to the Improvements passes to the City under this Lease. All Improvements shall remain upon and be surrendered with the Leased Premises in reasonably good condition, except as otherwise provided in this Lease, as part thereof upon the termination or expiration of this Lease. Title to all equipment, furniture, furnishings and trade fixtures placed by the Tenant upon the Leased Premises shall remain in the Tenant, and replacements, substitutions and modifications thereof may be made by the Tenant throughout the Term, and the Lessee shall remove the same before the Expiration Date or earlier termination of this Lease; provided that customary lighting, plumbing, flooring cover, window coverings, air conditioning and heating fixtures shall remain upon the Premises and be surrendered therewith upon the Termination Date, at which time title thereto shall pass to the City.

ARTICLE 10. MAINTENANCE AND REPAIR

10.01 Maintenance of Leased Premises. During the initial or any extended Term of this Lease, Tenant shall, at its sole cost and expense, maintain the Leased Premises and all improvements thereon and facilities appurtenant thereto in good, sanitary, and neat order, whatsoever to maintain the Leased Premises or the Improvements or make repairs thereto.

Because Tenant is leasing the Leased Premises from City without any pre-existing improvements or structures, and because Tenant has sole discretion and control in constructing the Improvements, Tenant specifically waives the provisions of Section 1941 and 1942 of the California Civil Code with respect to the City's obligations for the tenant ability of Leased Premises and tenant's rights to make repairs and deduct the expense of such repairs from Rent.

10.02 City Inspection. Tenant's responsibilities under this Lease to maintain the Leased Premises in good, sanitary, and neat order and repair, shall be subject to the City's right to inspect the Leased Premises annually and to direct Tenant to make such repairs and improvements to comply with federal, state, and local laws. In the event of receipt of such direction by the City, Tenant shall bare the sole cost and expense of making the repairs and improvements directed by the City during such annual inspection. The City shall give five (5) business days' prior written notice to Tenant of any such inspection (except in the event of an emergency in the opinion of the City acting reasonably), and conduct such inspections during business hours (9 a.m. to 5 p.m. PST, Monday through Friday). Tenant shall have the right to be present at any and all inspections conducted pursuant to this Section 10.02. City shall not conduct any unaccompanied inspections of the Lease Premises.

ARTICLE 11. CASUALTY; DAMAGE OR DESTRUCTION OF IMPROVEMENTS

11.01 Destruction or Substantial Damage of Leased Premises.

a) If, during the Term or any extension thereof, the Leased Premises are totally or partially destroyed, from a risk covered by insurance, rendering the Leased Premises, totally or partially inaccessible or unusable, Tenant shall have the right, but not the obligation, to restore the Leased Premises to substantially the same condition they were in immediately before destruction. In the case of partial destruction only, said partial destruction will not terminate this Agreement and all sums due hereunder shall continue to be paid subject to reduction under paragraph (c) below. In no case will Tenant be responsible for payment of Rent or any other sums due under this Lease if the partial or total damage or destruction of the Leased Premises is a result of the negligent or willful acts or omissions of City, its agents, employees, representatives or volunteers or any third party. If the existing laws do not permit the restoration, either party can terminate this Lease immediately by giving written notice to the other party.

However, if the cost of the restoration exceeds the amount of proceeds received from insurance, City or Tenant may elect to terminate this Lease by giving notice to Tenant within thirty (30) days after determining that the restoration costs will exceed the insurance proceeds. In the case of destruction to the Leased Premises, if City elects to terminate this Lease, Tenant within fifteen (15) days after receiving City's notice to terminate, can elect to cause the insurance proceeds to the City and pay City, at the time Tenant notified City of its election, the additional amount of the difference between the amount of insurance proceeds and the costs of restoration in which case City shall restore the Leased Premises. City shall give Tenant satisfactory evidence that all sums contributed

by Tenant as provided in this Paragraph have been expended by City in paying the costs of restoration. If City elects to terminate this Lease and Tenant does not elect to contribute toward the costs of restoration as provided herein, this Lease shall terminate and the party shall have no further obligations under this Lease.

b) If, during the Term or any extension thereof, the Leased Premises are totally or partially destroyed from a risk not covered by insurance rendering the Leased Premises totally or partially inaccessible or unusable, then City or Tenant may, by notice to the other party within fifteen (15) days after determining restoration costs, elect either to terminate this Lease or to restore the same; provided, however, City shall not be obligated to restore any alterations made by Tenant, Tenant's trade fixtures or personal property, such excluded items being the sole responsibility of Tenant to restore.

c) In the event the Leased Premises is to be restored by City under the provisions of the paragraphs above, the Rent due hereunder shall be reduced in proportion to the loss of use of the Leased Premises by Lessee, commencing with the first Rent payment due after such damage or destruction.

ARTICLE 12. UTILITIES; SERVICES

12.01 Payment of Utilities. All utilities shall be provided to the Leased Premises by Tenant at its sole cost and expense and City shall have no responsibility of any kind for any thereof. Tenant shall maintain all water and sewer laterals or other facilities on the Leased Premises at its sole cost and expense and shall pay to City utility service fees in accordance with the service rates now or hereafter established by City, which utility service fees shall be in addition to the rent to be paid by Tenant for the Leased Premises as hereinbefore provided in this Lease. The City shall reasonably cooperate with Tenant in connection with Tenant's installation, maintenance, repair or removal, as the case may be, of utilities.

12.02 Services. Notwithstanding Tenant's obligation to provide its own utilities, Tenant shall be entitled to receive from City all of the services and benefits at the Airport being provided to other tenants of the Airport related to Tenant's operations and the use provisions of this lease, including any privileges for use of fueling services. Upon any assignment or transfer of Tenant's rights by sublease in accordance with the terms of this Lease, City agrees to make available such services to any party rightfully possessing the Leased Premises in Tenant's place.

ARTICLE 13. INSURANCE

13.01 Insurance to be Provided by Tenant. Tenant agrees to obtain and maintain in effect, at its own cost and expense, the following insurance coverage, which insurance shall provide primary coverage for the Improvements and the obligations of Tenant described in this Lease during the Term of this Lease and any extension thereof.

a) Comprehensive or commercial general liability insurance, obtained from one or more insurance companies licensed to do business in the State of California having a financial rating in Best's Insurance Guide of at least A VII, protecting the City and the City's council, commissions, boards, employees, volunteers and agents against any and all liability arising by reason of Tenant's conduct relating to the use of the Leased Premises or resulting from any accident occurring on or about the roads, driveways or other public places, used by Tenant at the Airport, in an amount not less than One Million Dollars (\$1,000,000.00) each occurrence (*i.e.*, non-aggregate program) for bodily injury and property damage, including contractual liability, independent contractors, broad-form property damage, sudden and accidental pollution if available, personal injury, products and completed operations. Such insurance coverage shall name the City, including its council, boards, commissions, and members thereof, its officers, employees, volunteers and agents, as an additional insured, and shall be primary and noncontributing with respect to any other insurance available to the City. The insurance policy shall also include a severability of interest (cross liability) clause, that is, it shall act as though a separate policy were written for each insured and additional insured named in the policy. The City must be afforded at least thirty (30) days' prior written notice of cancellation or material change in coverage. All certificates of insurance providing proof of the coverage required under this Lease shall be signed by the insurer and not by a broker.

b) A policy or policies of insurance against loss of or damage to or upon the Leased

Premises, as well as Tenant's furnishings, fixtures, inventory, personal property and equipment.

c) Liability coverage, if applicable, protecting the City and the City's council, commissions, boards, employees, volunteers and agents against any and all liability covered thereby.

13.02 Approval of Insurance Coverage. Upon execution of this Lease, a copy of the insurance policy or policies required herein or, in lieu thereof, the face page of such policy or policies and any endorsements which limit or otherwise affect the coverage provided therein shall be delivered by Tenant to the City Manager, or his or her designee, for approval as to form and compliance with the provisions of this Article 13. The City shall either approve the insurance policy or policies delivered by Tenant or request adjustments to the same within two (2) business days of receipt from Tenant. When such insurance policy or policies have been so approved, Tenant may substitute for same a certificate of insurance issued by the respective insurance company or companies certifying that such insurance policies are in full force and effect and that all liabilities arising out of or relating in any way to Tenant's possession and use of the Leased Premises are covered by such insurance policy or policies. Notwithstanding any provisions to the contrary contained herein, Tenant is not entitled to take or remain in possession of the Leased Premises until such insurance policy or policies are filed with and approved by the City Manager.

13.03 Review of Insurance Coverage. City is entitled at any time during the term of this Lease to review the type, form and coverage limits of the insurance requirements. If in the opinion of the City, the insurance provisions of this Lease are not sufficient to provide adequate protection for the City and the members of the public using the Airport, the City may require Tenant to maintain insurance sufficient to provide such adequate protection. Insurance requirements shall be applied uniformly to all Tenants engaged in similar-type operations at the Airport, and such requirements shall be consistent with industry standards. City shall notify Tenant in writing of any reasonable changes in the insurance provisions necessary to provide adequate protection. If Tenant does not deposit acceptable certificates evidencing valid insurance policies that incorporate such changes within sixty (60) days of receipt of such notice, Tenant will be in default of this Lease. Notwithstanding the foregoing or any contrary provision elsewhere in this Lease, (i) the Tenant shall not be required to insure against loss due to earthquake, earth movement, subsidence or rising sea level, and (ii) to the extent any modified insurance coverage requirements the City seeks to impose under this Lease may not be imposed on any of Tenant's sublessee(s) under any unexpired sublease(s), the Tenant's duty to comply with such modified insurance coverage requirements shall be suspended until such time as the then sublessee(s) may be required by the Tenant to comply with such modified insurance coverage requirements by virtue of the renegotiation of the applicable sublease(s). The procuring of any insurance policies required under this Article 13 will not be construed to be a limitation upon Tenant's liability nor as a full performance of its part of the indemnification provisions of this Lease; Tenant's obligation being, notwithstanding said policy or policies of insurance, the full and total amount of any damage, injury or loss caused by negligence or neglect connected with the Tenant's operation under this Lease.

13.04 Hold Harmless Agreement. It is an express condition of this Lease that the City shall be free from any and all liabilities and claims for damages or suits for or by reason of any death(s) or injuries to any person or persons or damages to property of any kind whatsoever, including the Leased Premises, whether the person or property of Tenant, its agents or employees, or third persons, (a) from any cause or causes whatsoever while in or upon the Leased Premises or any part thereof during the Term of this Lease except as to injury or damage caused by City, its officers, employees, or agents; or (b) occasioned by any occupancy, maintenance, repair, improvement, or use of said property or any activity carried on by Tenant in connection therewith; and Tenant hereby covenants and agrees to indemnify and to save harmless the City from all liabilities, charges, expenses, attorney fees, and costs on account of or by reason of any such death(s), injuries, liabilities, claims, suits or losses, however occurring, or damages growing out of the same except as provided herein. The City shall immediately notify Tenant to resist and defend by retaining counsel at Tenant's sole cost and expense, any action brought against the City subject to the provisions of this Section 13.04. The obligations of Tenant and City under this Section 13.04 shall survive the termination or expiration of this Lease.

It is an express condition of this Lease that City shall indemnify Tenant for any and all liabilities and claims for damages or suits for or by reason of any death(s) or injuries to any person or persons or damages to property of any kind whatsoever, including the Lease Premises and the Airport, whether caused by the City, its officers, contractors, employees or agents.

Insurance to be Provided by City. City agrees to obtain and maintain in effect, at its own cost and expense, at all times during the term of this Lease or any extension thereof, general commercial liability insurance providing coverage for the full replacement cost of the Improvements.

ARTICLE 14. LIENS & CLAIMS

14.01 Liens and Claims. Tenant shall not suffer or permit to be enforced against City's title to the Leased Premises, or any part thereof, any lien, claim or demand arising from any work of construction, repair, restoration, maintenance or removal as herein provided, or otherwise arising, except liens, claims or demands suffered by or arising from the actions of City.

14.02 Tenant to Pay Liens & Claims. Tenant shall pay all such liens, claims and demands before any action is brought to enforce same against the Leased Premises or underlying property; and Tenant agrees to hold City and Leased Premises free and harmless from all liability for any and all such liens, claims or demands, together with all costs and expenses in connection therewith.

14.03 Payment of Liens and Claims by City. Should Tenant fail or refuse to pay any lien, claim, or demand arising out of the construction, repair, restoration, maintenance and use of the Leased Premises or the Improvements thereon, or any other claim, charge or demand which Tenant has agreed to pay, Tenant or its authorized encumbrancers, if any, shall, within thirty (30) days of written notice from City to Tenant of its said encumbrance, pay and discharge the same or shall furnish to City, in a form satisfactory to City, sufficient security for such lien, claim or demand and all costs and expenses in connection therewith. Should Tenant or its said encumbrancer within said 30 day period, not pay and discharge said lien, claim or demand, or not provide said security to City, then City may, at its option, either treat such failure or refusal as a breach of or default under this Lease, or may pay any such lien, claim, charge or demand, or settle or discharge any action therefore or judgment thereon, and all costs, expenses and other sums reasonably incurred or paid by City in connection therewith must be repaid to City by Tenant within thirty (30) days upon written demand, together with interest thereon at the rate of 10%, per annum from the date of payment until repaid, and any default in such repayment will constitute a breach of the covenants and conditions of this Lease.

ARTICLE 15. TRANSFERS & ENCUMBRANCES

15.01 Sales, Assignments, Transfers, Subleases, and Encumbrances. Tenant shall not sell, assign, transfer, or encumber this Lease, or any interest of Tenant in and to the Leased Premises, nor sublease the Leased Premises, in whole or in part, except with the prior written consent of City, which consent shall not be unreasonably withheld, conditioned or delayed. In the event of any sublease, assignment, or other transfer of Tenant's interest in this Lease to a third party, Tenant agrees to pay to the City fifty percent (50%) of the total rental amounts collected by Tenant in excess of the Rent as determined under Article 2 of this Lease.

This Lease and any interest of Tenant in and to the Leased Premises shall not be subject to an involuntary sale, assignment, or transfer by operation of law in any manner whatsoever, except a sale pursuant to a power of sale or judicial foreclosure under a mortgage or deed of trust securing financing for the Improvements.

Any other sale, assignment, transfer, or sublease, whether voluntary or involuntary, will be void and of no effect and will be a default of the provisions of this Lease, entitling City to terminate this Lease and Tenant's rights in and to the Leased Premises, in the manner provided in Section 17.11d) below. In no event shall Tenant encumber, or attempt to encumber, the Leased Premises herein, without the prior written consent of the City, which shall not be unreasonably withheld, conditioned, or delayed.

15.02 Tenant Affiliate. Notwithstanding the provisions of paragraph 15.01, without receipt of the City's consent and without payment to the City, Tenant shall have the right to assign or permit the occupancy of the Leased Premises to any corporation which controls, is controlled by, or is under common control with Tenant, or to any corporation resulting from the merger or consolidation with Tenant, or to any person or entity which acquires substantially all the assets of Tenant as a going concern of the business that is being conducted on the Leased Premises ("Tenant Affiliate"), provided that said Tenant Affiliate assumes in full the obligations of Tenant

under this Lease. Any such assignment will not, in any way, affect or limit the liability of Tenant under the terms of this Lease even if after such assignment; provided, however that the terms of this Lease shall not be materially changed or altered as between the City and a Tenant Affiliate without the written consent of Tenant.

15.03 Release of Tenant.

a) If Tenant transfers this Lease by assignment, whether consented to by the City or permitted by the terms of this Lease, the City agrees that Tenant shall be released from liability under this Lease with respect to those obligations accruing from and after the date of the assignment.

b) If Tenant subleases the Leased Premises, Tenant shall not be released of Tenant's obligations under this Lease and Tenant will remain primarily responsible to pay the Rent and to perform all of Tenant's other obligations under this Lease. City's acceptance of rent from Tenant's sublessee(s) will not be deemed consent to any subletting not approved by City or not in compliance with the covenants of this Lease. In the event of default by any sublessee(s) of Tenant in the performance of any of the covenants of this Lease, City may proceed directly against Tenant without the necessity to exhaust remedies against said sublessee(s). Notwithstanding the foregoing, City may not consent to any subsequent subletting of the Leased Premises or amendments or modifications to this Lease with Tenant's sublessee(s) without notifying Tenant and obtaining Tenant's consent thereto. Tenant's approval of any subsequent subletting of Lease Premises will not relieve Tenant of liability under this Lease.

ARTICLE 16. HAZARDOUS SUBSTANCE

16.01 Hazardous Substances. Upon written notice by Tenant, City shall be responsible, at its sole cost and expense, for the immediate removal of any pre-existing Hazardous Materials (as that term is defined below) found on the Leased Premises, not first introduced by Tenant, its representatives, agent, employees, or contractors. Pursuant to Health and Safety Code 25359.7, Tenant shall notify City in writing within a reasonable time of Tenant's knowledge of any material release of Hazardous Materials and of any Hazardous Materials that have come to be located on or beneath the Hollister Municipal Airport. "Hazardous Materials" shall have that meaning stated in Section 8.20.020 of the Municipal Code of the City of Hollister.

16.02 Removal. On the last day of the Term or upon any earlier termination of this Lease pursuant to the provisions of this Lease, Tenant will remove from the Leased Premises, at Tenant's sole cost and expense, all fixtures and personal property brought onto the Leased Premises by Tenant, including but not limited to all flammable substance and Hazardous Materials and wastes as defined by state or federal law at the time of termination of this Lease. Tenant will surrender the Leased Premises to City in good order, condition and repair, reasonable wear and tear excepted, and entirely free and clear of any Hazardous Materials or environmental contamination in violation of law or regulation, and free and clear of all Liens and encumbrances other than those liens and encumbrances, if any, approved by City (in its sole discretion) during the Term or created by the City. Title to all improvements made by Tenant will vest in City upon such expiration or earlier termination of this Lease.

16.03 Inspection of Records. Upon five (5) business day's prior written notice to Tenant, Tenant shall make available for inspection to the City, all records relating to the maintenance, release, mitigation and cleanup for any Hazardous Materials placed or stored on the Leased Premises.

16.04 Compliance. Tenant shall comply with all federal, state and local laws and regulations relating to Hazardous Materials and wastes, and shall timely comply with the orders of any governmental agencies relating thereto.

16.05 Notice. Upon execution of this Lease, Tenant shall provide the City's Airport Director, Fire Department and Public Safety Department with a complete list of all Hazardous Materials used or to be used or stored on the Leased Premises with approximate total quantities of each Hazardous Material. Tenant shall notify the City of changes in quantity or type within five (5) days of change of any. The provisions of this Article 16 shall survive the Term or expiration of this Lease.

16.06 Pre-existing Hazardous Substances. City shall be responsible for pre-existing Hazardous Materials directly affecting the Leased Premises, and if removal is required during the construction period, such pre-existing Hazardous Materials shall be removed by City at City's sole cost and expense. City shall indemnify Tenant and hold Tenant harmless from and against any and all damages, claims, demands, suits, judgments, liabilities, costs and expenses, including reasonable attorneys' fees, arising out any pre-existing condition related to Hazardous Materials directly affecting the Leased Premises requiring removal or abatement hereunder.

ARTICLE 17. GENERAL PROVISIONS

17.01 Additional Rules & Regulations. The City Manager shall have the power to establish in writing such additional rules and regulations respecting operation of the Airport as are not inconsistent with provisions of this Lease or any applicable ordinances or laws, providing such rules and regulations are found to be necessary or convenient by the City Manager for the operation of the Airport or the enforcement of the provisions of this Lease, the provisions of any and all applicable laws and ordinances, and the preservation of the public peace, health, safety and welfare; and Tenant shall comply with any and all such rules and regulations adopted in writing by the City Manager. Tenant agrees to comply with Non-discriminatory rules applied consistently to all Airport tenants.

17.02 Confidentiality. To the extent allowed by law, the City shall not disclose Tenant's financial statement or confidential financial condition. Tenant acknowledges that the City is a municipal corporation and has limited powers to withhold information from the public.

17.03 Compliance with Laws; Permits and Licenses. Tenant's business will be conducted and maintained in strict compliance with all applicable laws, ordinances, regulations, and other requirements of federal, state, county, city or other governmental agencies having jurisdiction over the operation of Airports. Similarly, Tenant will obtain and pay for all necessary permits, licenses and other consents for the operation of Tenant's business. Tenant represents and warrants that it has full power and authority to enter into this Lease and perform its obligations hereunder. With the exception of certain governmental approvals necessary to construct the Improvements described in the Work Letter, Tenant holds all permits and licenses which are required by law or regulation for complete performance in accordance with the terms of this Lease.

17.04 Dispute Resolution. The parties agree that if any dispute arising out of, relating to or in connection with this Lease, including disputes over the interpretation or performance of this Lease, shall be first handled by the parties making a good faith attempt to negotiate any such dispute informally. If such informal negotiation fails, and if the parties mutually agree at the time, the parties may then submit the dispute for formal mediation to the American Arbitration Association (AAA) or the Judicial Arbitration and Mediation Services (JAMS), or such other mediation service as the parties may mutually agree upon. The Parties will cooperate with each other in selecting the mediator from the panel of neutral mediators knowledgeable in Airport operations and in scheduling the time and place of the mediation. Unless otherwise agreed to by the parties, such selection and scheduling shall be completed within forty-five (45) calendar days after the date that either party delivers to the other party a written mediation demand. Unless otherwise agreed to by the parties, the mediation shall not be scheduled for a date that is greater than ninety (90) calendar days from the date that either party delivers to the other party a written mediation demand. The parties covenant that they will participate in the mediation in good faith, and that they will share equally in its costs (other than each party's individual attorneys' fees and costs related to the party's participation in the mediation, which fees and costs shall be borne by such party). Statements made by the parties or their respective representatives during the mediation procedures set forth in this Section 17.04 and documents specifically created for such mediation procedures shall be considered part of settlement negotiations and shall not be admissible in evidence by any proceeding without the mutual consent of the parties.

17.05 Attorney Fees and Costs. Should the dispute of the parties not be resolved by negotiation and/or mediation, and in the event it should become necessary, after negotiation and/or mediation, for either party to enforce or interpret any of the terms and conditions of this Lease by means of court action or administrative enforcement, the laws of the State of California shall govern the interpretation of the terms and conditions of this Lease, and such action shall be brought in a court of proper jurisdiction in San Benito County. The prevailing party, in addition to any other remedy at law or in equity available to such party, will be awarded all reasonable costs and reasonable attorney fees in connection therewith, including costs of in-house attorneys and the fees or costs of

experts reasonably consulted by the attorneys for the prevailing party.

17.06 Litigation Involving Lease. In the event the City is made a party to any litigation filed by a third party concerning this Lease or the Leased Premises by reason of any alleged act or omission committed wholly by Tenant, Tenant shall hold the City harmless from all loss or liability, including reasonable attorney fees, incurred by the City in such litigation. In the event of litigation between the Parties relating to this Lease including unlawful detainer actions, for recovery of any Rent due hereunder, or for breach of any provision or covenant herein, the prevailing party in said litigation shall be entitled to reasonable costs and reasonable attorney fees, including the cost of in-house attorneys and fees or costs of experts reasonably consulted by the attorneys for the prevailing party.

17.07 Bankruptcy and Insolvency. If Tenant, at any time during the Term of this Lease, becomes insolvent, or if proceedings in bankruptcy are instituted by or against Tenant, or if Tenant is adjudged bankrupt or insolvent by any court, or if a receiver or trustee in bankruptcy or a receiver of any property of Tenant is appointed in any suit or proceeding brought by or against Tenant, or if Tenant makes any assignment for the benefit of creditors, then in each and every case, this Lease and the rights and privileges granted hereunder will immediately cease, terminate and be forfeited and cancelled; provided; however, that if Tenant, within six (6) days after the filing and service on Tenant of any involuntary petition in bankruptcy or for appointment of a receiver, commences proper proceedings to dismiss or deny the petition or vacate the receivership and expeditiously pursues and diligently exhausts all proper remedies toward that end, the bankruptcy or receivership may not constitute a default until the entry of a final determination adverse to Tenant.

17.08 Eminent Domain.

17.08.1 If possession of the entire Leased Premises (or any portion thereof which in Tenant's reasonable judgment renders the balance unsuitable for Tenant's continued operations on the Leased Premises) shall be taken in condemnation proceedings, by right of eminent domain or by sale in lieu of such taking, including but not limited to any taking of Tenant's leasehold estate by City under City's power of eminent domain, then this Lease shall automatically terminate when a right to possession is given to the condemning authority, and any Rent or other fees payable hereunder shall be apportioned and paid in full up to that date.

17.08.2 If only a portion of the Leased Premises shall be taken in condemnation proceedings, by right of eminent domain or by sale in lieu of such taking, and the balance of the Leased Premises is suitable in Tenant's reasonable judgment for Tenant's continued operation under the use provisions of this Lease, then this Lease shall continue in full force and effect, except as provided in Section 17.08.6. In such case, Tenant, at Tenant's sole cost, as promptly as circumstances permit, shall, to the extent of the condemnation award proceeds received by Tenant in connection therewith, repair all damage to the Leased Premises and any Improvements as caused by such partial taking, and Tenant shall restore the Improvements as nearly to their prior state as reasonably practicable under the circumstances in cooperation with the City.

17.08.3 In the event of any such taking of all or any portion of the Leased Premises, City shall be entitled to an award based on the taking of or injury to City's fee simple estate in the Premises and Tenant shall be entitled to an award based on any loss or reduction of its leasehold and any easement estates, loss of any Improvements constructed or placed on the Leased Premises by Tenant, loss or interruption of business and the cost of any alterations or restoration resulting from any such taking. Any single award or settlement shall be allocated between the Parties in accordance with the foregoing; provided, however, if Tenant elects to restore, replace or reconstruct the Improvements which are the subject of any taking, then City agrees to deliver to Tenant City's share of the award attributable to such Improvements to the extent Tenant's share of the award attributable to such Improvements is not sufficient to pay for the cost of restoration, replacement and reconstruction.

17.08.4 If a court fails or refuses to grant separate awards to City and Tenant upon such a taking of all or any portion of the Leased Premises, and if City and Tenant cannot agree on the allocation of the award, and if such inability to agree continues for thirty (30) days after the amount of the award is determined, City and Tenant agree that the dispute over such allocation shall be handled by the parties in accordance with the dispute resolution provision of Section 17.04 and 17.05.

17.08.5 Nothing in this Lease, including any of the provisions of this Section 17.08 et seq., shall be construed to mean that Tenant has consented, or can be compelled in a legal or equitable proceeding, to accept a money satisfaction of its leasehold interest under 11 U.S.C. § 363(f)(5).

17.08.6 Tenant's Rent shall be reduced from and after the date of any such taking in the same proportion that the gross leasable floor area of the Leased Premises after such taking shall bear to such area immediately before the taking.

17.09 Force Majeure; Waiver. Tenant will not be in default under this Lease in the event that the activities of Tenant are temporarily interrupted for any of the following reasons that are beyond the control of Tenant: riots; war or national emergency declared by the President or Congress and affecting the City of Hollister; order of any government, court or regulatory body claiming jurisdiction or otherwise; terrorism; sabotage; riots; civil disturbance; insurrection; explosion; natural disasters such as floods, earthquakes, landslides, fires, acts of God or other casualty; unforeseen construction conditions; strikes, lockouts and other labor disturbances; or other catastrophic events or reason of a similar nature. "Other catastrophic events or reason of a similar nature" does not include the financial ability of Tenant to perform or failure of Tenant to obtain any necessary permits or license from other governmental agencies or the right to use facilities of any public entity where such failure occurs because Tenant has failed to exercise reasonable diligence. In the event of a force majeure event, the time for performance of any obligations of the parties due under this Lease directly and materially affected by such force majeure events (except financial) shall be extended for a period equivalent to the period of such delay. If adverse weather conditions are the basis for a claim for an extension of time under this Section 17.09, Tenant will provide written notice to City accompanied by data verified by a properly qualified party substantiating (i) that the weather conditions were adverse for the time and could not have been reasonably mitigated and (ii) that the weather conditions complained of had a significant adverse effect on the performance of a required act.

17.10 Abandonment. Tenant must not abandon the Leased Premises or any part thereof at any time during the Term of this Lease. If Tenant abandons, vacates or surrenders the Leased Premises or is dispossessed by process of law or otherwise, any property belonging to Tenant and left on the Leased Premises may be deemed, at the option of the City, to be abandoned. Upon relinquishing possession, Tenant will be in default of this Lease and City is entitled to terminate Tenant's rights in and to the Leased Premises in the manner hereinafter provided by this Lease.

17.11 Events of Default by Tenant. Tenant will be deemed in default under this Lease:

a) Upon breach of any of the covenants and conditions of this Lease with respect to discrimination on the grounds of race, religion, color, national origin, or sex; with respect to economic discrimination; with respect to any sale, assignment, transfer, encumbrance, or subletting of the Leased Premises in violation of the provisions of this Lease; with respect to the bankruptcy or insolvency of Tenant; or, with respect to any other covenant or condition of this Lease. City shall have the right to terminate this Lease if Tenant does not cure any breach listed in this Section 17.11(a) within five (5) business days of receiving written notice of such breach from the City;

b) Upon failure to pay any Rent or any other consideration required under this Lease to be paid by Tenant or upon any breach not enumerated in Section 17.11(a) above within ten (10) days of receiving written notice of such breach from the City;

c) Upon failure to provide evidence of the insurance when due, within fourteen (14) days after being given notice thereof by City; and

d) Upon failure to perform any other covenant or condition of Tenant under this Lease other than those described in Sections 17.11 (a) through (c) above, within thirty (30) days after being given notice thereof by City or within such longer period as is reasonably necessary provided that Tenant actively commences such cure during the thirty (30) day period and prosecutes the same to completion.

e) If Tenant cures the events of default discussed in Sections 17.11 (a) through (d) above

within the applicable time periods after notice from City allotted for Tenant's cure, Tenant shall not be in default of this Lease, Tenant's rights and obligations under this Lease shall remain in-tact, and City shall not be entitled to any of the remedies stated in Section 17.12 below.

17.12 City's Remedies for Tenant Default.

Upon Tenant's default of this Lease, City may, after (1) providing the requisite notice to Tenant and (2) after the time for Tenant to cure has also passed in accordance with Section 17.11 above, without any further notice:

a) **Terminate the Lease.** City shall have the right to terminate this Lease and Tenant shall then surrender the Premises in accordance with Section 16.02 but shall remain liable for damages as provided in Section 17.13 below. If any such termination of this Lease occurs, City may then or any time thereafter reenter the Leased Premises, by summary proceedings or other legal means, remove therefrom all persons and property, and repossess and enjoy the Leased Premises, without prejudice to any other remedies that City may have by reason of Tenant's Default or of such termination. No commencement and prosecution of any action by City in unlawful detainer, ejectment or otherwise, or execution of any judgment or decree obtained in any action to recover possession of the Leased Premises, nor any reentry by City, shall be construed as an election to terminate this Lease, unless City shall give notice to Tenant of such intention.

b) **Continue Lease in Effect.** City shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover Rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations).

c) **Perform the Lease.** Notwithstanding any provisions as to notice of default in this Lease to the contrary, if, in City's judgment, a continuance of any default by Tenant for the full period of the notice otherwise provided for will jeopardize the Leased Premises, including any improvements thereon or facilities appurtenant thereto, or the rights of City, City may, without notice, elect to perform those acts in respect of which Tenant is in default at Tenant's expense, and Tenant must thereupon reimburse City, with interest at the rate of ten percent (10%) per annum, upon thirty (30) days' written notice by City to Tenant.

d) **Other Remedies.** All rights, options, and remedies of City contained in this Lease will be construed and held to be cumulative and not one of them will be exclusive of the other, and City will have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided for by law, whether or not stated herein.

17.13 Damages for Tenant's Default.

Should City terminate this Lease for default pursuant to Section 17.12 above, City shall be entitled, at City's election, to recover all damages as provided by Laws, including without limitation those set forth in California Civil Code Section 1951.2. Notwithstanding any remedy that City elects as a result of Tenant default under this Section 17.13, City shall endeavor, reasonably and in good faith, to relet the Leased Premises and otherwise mitigate its damages, but the recovery of damages under this paragraph is subject to any limitations specified in this Lease.

17.14 Events of Default by City; Remedies; Mutual Rights to Cure.

a) **Default by City.** City will be deemed in default under this Lease upon City's violation, neglect, or failure to perform or observe any of the representations, covenants, provision or conditions contained in this Lease on its part to be performed or observed ("**City Default**") and such City Default for a period of thirty (30) days or any other shorter period of time specified in this Lease, after receipt of written notice from Tenant specifying such default. In such case, Tenant may exercise all remedies available to Tenant under law and in equity, including the right to terminate this Lease.

b) **Mutual Right to Cure.** Each party shall have the right, but shall not be required, to pay such sums or do any act which requires the expenditure of monies which may be necessary or appropriate by reason

of the default of the other party to perform any of the provisions of this Lease. In the event of the exercise of any such right by City, Tenant agrees to pay to City upon demand all such sums with the next succeeding payment of Rent. In the event of the exercise of such right by Tenant, City agrees to pay to Tenant promptly upon demand all such sums and if City fails to do so Tenant shall have the right to deduct such sum from the next succeeding payment or payments of Rent until the same is fully exhausted and such deduction shall in no way be considered a failure on the part of Tenant to pay such Rent.

17.15 Waiver of Default. Any waiver by City of a default of this Lease arising out of the breach of any of the covenants, conditions, or restrictions of this Lease will not be construed or held to be a waiver of any succeeding or preceding default arising out of a breach of the same or any other covenant, condition, or restriction of this Lease.

17.16 City's Right of Entry. Unless otherwise stated herein, upon no less than five (5) days' prior written notice, Tenant shall permit City and any agents and employees of City to enter in and upon the Leased Premises (between the hours of 9 a.m. and 5 p.m. and falling on a Monday through Friday) accompanied by a representative of Tenant, for the purpose of inspecting the same, or for the purpose of posting notices of non-responsibility for improvements, alterations, additions, or repairs, without any rebate of rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the Leased Premises thereby occasioned.

17.17 Effect of Holding Over. If Tenant shall hold over after the expiration date of the Term or any extended term of this Lease, with the consent of City, shall be construed to be a tenancy from month-to-month at the Rent to be paid by Tenant pursuant to the terms of this Lease and shall otherwise be subject to the covenants and conditions herein provided by this Lease, insofar as applicable. If Tenant shall hold over after the expiration date of the Term without the consent of City, Tenant shall be a month-to-month Tenant on the same terms as herein provided, except that for the first three (3) months of such holding over, Tenant's Rent will be one hundred twenty-five percent (125%) of the Rent payable by Tenant for the last full calendar month of Tenant's tenancy hereunder, and one hundred fifty percent (150%) thereafter.

17.18 Notices. All notices required or permitted to be given under this Lease shall be in writing and must be personally delivered or sent by Fax or United States certified mail, postage prepaid, return receipt requested, addressed as follows:

To City:

City of Hollister
Attn: City Manager
375 Fifth Street
Hollister, California 95023
Phone: (831) 636-4300
Email: []

Copy to: City of Hollister
Attn: Airport Director
60 Airport Drive
Hollister, California 95023
Phone: (831) 636-4365
Email: []

To Tenant:
Zee.Aero
2700 Broderick Way
Mountain View, CA 94043
Phone: (650) 964-4570

Or to such other address as either party may from time-to-time designate by notice to the other given in accordance with this section. Notice will be deemed effective on the date personally served or send by Fax or, if mailed, three business days from the date such notice is deposited in the United States mail.

17.19 Corporate Authority. The individual executing this Lease represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the business or corporation in accordance with its terms.

17.20 Amendment or Modification. This Lease may be amended, altered or modified only by writing, specifying such amendment, alteration or modification, executed by authorized representatives of both of the parties hereto.

17.21 Construction of Lease. Whenever the singular number is used in this Lease and when required by the context, the same shall include the plural, and the neuter gender shall include the feminine and masculine genders. If there is more than one Tenant designated in or signatory to this Lease, the obligations hereunder imposed upon Tenant are joint and several; and the term "Tenant" as used herein refers to each and every of said signatory parties, severally as well as jointly.

17.22 Covenant & Condition. Each term and provision of this Lease performable by Tenant shall be construed to be both a covenant and a condition.

17.23 Time. Time is and shall be of the essence of each term and provision of this Lease.

17.24 Material Breach. Each and every term, condition, covenant, and provision of this Lease is and shall be deemed to be a material part of the consideration for the City's entry into this Lease, and any breach hereof by Tenant shall be deemed to be a material breach.

17.25 Heirs, Successors and Assign. All of the covenants, agreements, conditions and undertakings herein contained shall, subject to the provisions as to assignments and subletting, apply to and bind the representatives, heirs, executor, administrators, successors or assigns of all the parties hereto; and all the parties hereto will be jointly and severally liable for any breach hereunder, except as otherwise provided in this Lease.

17.26 Further Actions. Each of the parties agree to execute and deliver to the other such documents and instruments, and to take such actions, as may reasonably be required to give effect to the terms and conditions of this Lease.

17.27 Interpretation. This Lease has been negotiated by and between the representatives of both parties. Accordingly, any rule of law (including Civil Code § 1654) or legal decision that would require interpretation of any ambiguities in this Lease against the party that has drafted it is not applicable and is waived. The provisions of this Lease shall be interpreted in a reasonable manner to affect the purpose of the parties and this Lease.

17.28 Captions. Titles or captions of articles and sections contained in this Lease are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Lease or the intent of any provision of it.

17.29 Severability. If any of the provisions of this Lease are determined to be invalid or unenforceable, those provisions shall be deemed severable from the remainder of this Lease and will not cause the invalidity or unenforceability of the remainder of this Lease, unless this Lease without the severed provisions would frustrate a material purpose of either party in entering into this Lease.

17.30 Waiver. No waiver of any right or obligation of either party hereto will be effective unless made in writing, specifying such waiver and executed by the party against whom such waiver is sought to be enforced. A waiver by either party of any of its rights under this Lease on any occasion will not bar the exercise of the same right on any subsequent occasion or of any other right at any time.

17.31 Entire Agreement. This Lease constitutes the entire and complete agreement between the parties regarding the subject matter hereof, and supersedes all prior or contemporaneous negotiations, understandings or agreements of the parties, whether written or oral, with respect to the subject matter.

17.32 Rent Abatement. In the event of force majeure as provided in Section 17.09 or damage and destruction to the Improvements or Leased Premises caused by casualty as provided in Article 11, Tenant shall immediately notify City of such and Tenant's rent obligations under this Lease shall be suspended one (1) day for every one (1) day that such force majeure or casualty persist. Tenant shall provide immediate notice to City once such force majeure or casualty are resolved, which notice shall serve to reinstate Tenant's rent obligations under this Lease.

17.33 Attorneys' Fees. If the Tenant or City commences any action or proceeding against the other arising out of or in connection with any dispute between the parties under this Lease, or to enforce or interpret this Lease, the prevailing party shall be entitled to have and recover from the losing party reasonable attorneys' fees and costs of suit. The City or Tenant as applicable, also shall be entitled to reasonable attorneys' fees (including, without limitation, the cost of in-house attorneys) and costs to protect such party's interest under this Lease in the event of the other party's bankruptcy, and all such fees and costs shall be deemed actual pecuniary losses within the meaning of the Federal Bankruptcy Code, including without limitation general monitoring and participation in the bankruptcy not specifically related to assertion of the non-bankrupt party's rights under this Lease.

[Signatures on Next Page]

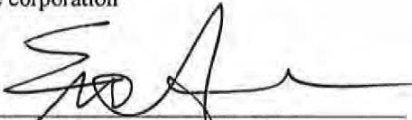
IN WITNESS WHEREOF, this Lease has been executed by the duly authorized officers or representatives of each of the parties on the date first shown above.

City:

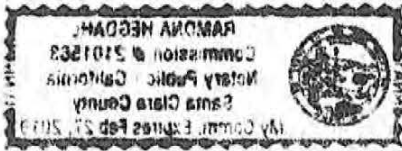
CITY OF HOLLISTER,
a municipal corporation

By: _____
William B. Avera, City Manager

Tenant:
Zee.Aero, Inc.,
a Delaware corporation

By: 
Eric Allison, Zee.Aero, Inc. CEO

Note: Signatures must be notarized



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Santa Clara

On July 15, 2016, before me, Ramona Hegdahl, a Notary Public, personally appeared Eric Michael Allison, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Ramona Hegdahl
Signature of Notary Public

(Notary Seal)



A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of _____

On _____, _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

(Notary Seal)

Exhibit "A"
Description of Leased Premises

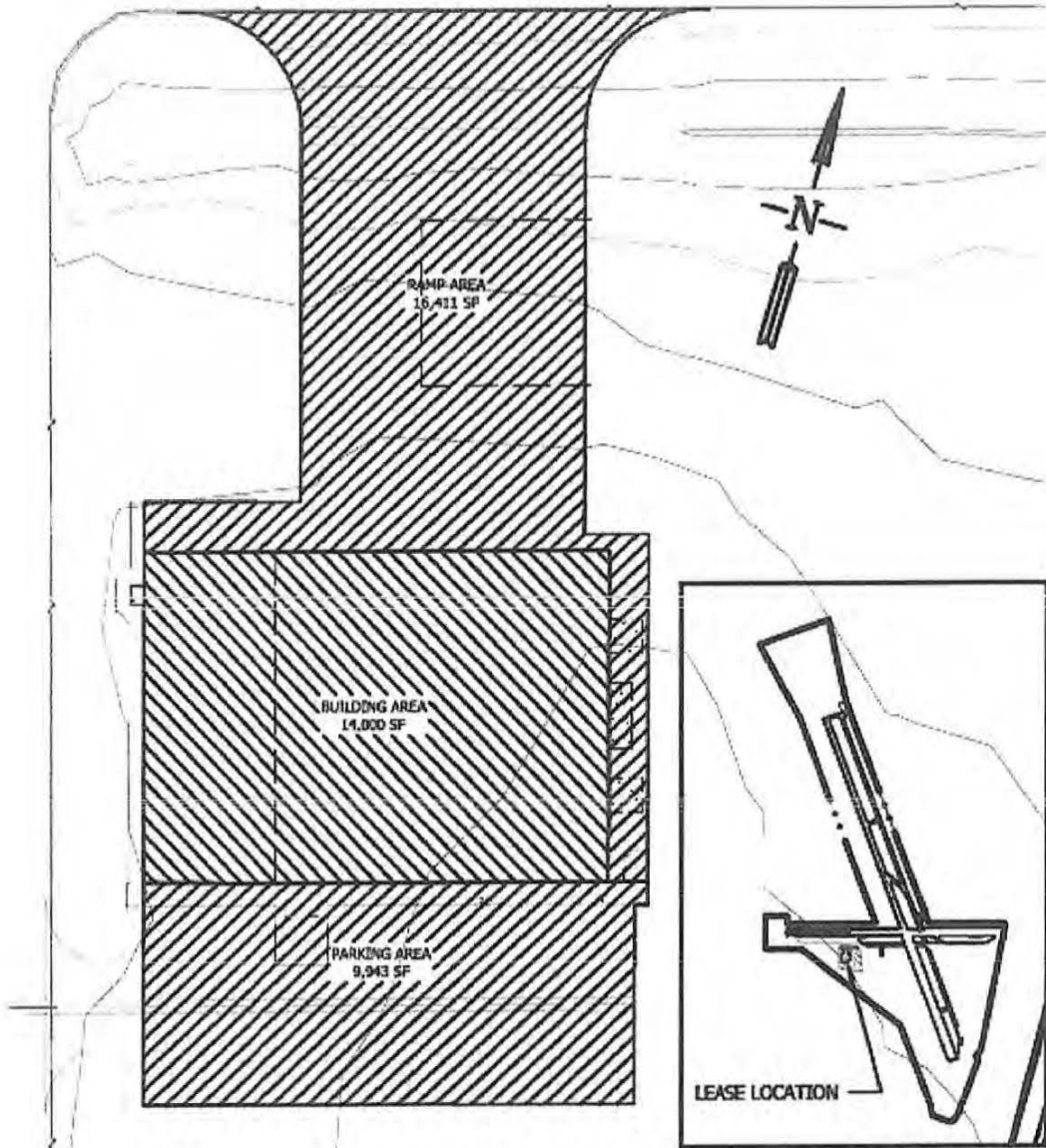


EXHIBIT "A"

Exhibit "B"
Tenant Work Letter

This Tenant Work Letter shall set forth the terms and conditions relating to the construction improvements on the Premises. All references in this Tenant Work Letter to Articles or Sections of the "Lease" shall mean the relevant portions of Articles 1 through 17 of the Lease to which this Tenant Work Letter is attached as Exhibit "B", and all references in this Tenant Work Letter to Sections of this Tenant "Work Letter" shall mean the relevant Section of this Exhibit "B".

SECTION 1.
DELIVERY OF THE PREMISES

1.1 Delivery. As of the Effective Date, Tenant shall accept possession of the Premises in its currently existing "as-is" condition, subject to the express terms of this Section 1. The "Base Premises" shall consist of the Leased Premises as existing prior to the construction of Tenant's improvements described in this Work Letter. City shall be responsible for delivering the Base Premises with any existing electrical, water, sewer, and communications utility connections.

SECTION 2.
TENANT IMPROVEMENTS

2.1 Tenant Improvements. At Tenant's cost, Tenant shall design and construct improvements to the Premises in compliance with the Federal Air Regulations (the "Tenant Improvements"), including an approximately 14,000 square foot hangar, parking area and airplane ramp in the approximate sections of the Premises as designated in Exhibit A to the Lease. Tenant shall have the right to install antennae and roof top communications equipment on the Tenant Improvements, subject to reasonable restrictions imposed by the Hollister Municipal Airport, which may include removal, if necessary to prevent interference with air traffic control tower operations.

2.2 Permitting and Approval of Tenant Improvements. Tenant shall submit to City plans for the Tenant Improvements (the "Plans") with all information needed for building permits to be issued by City. To the extent that City building permits, demolition permits, or any other approval is required from City to construct the Tenant Improvements, City shall provide priority to the review of the Plans and shall approve or disapprove the Plans within fifteen (15) business days of Tenant's submission. If City does not provide written approval or disapproval of the Plans within fifteen (15) business days of submission, the Plans shall be deemed approved for all purposes by City and Tenant may rely on such deemed approval for the construction of the Tenant Improvements and application for building permits. To the extent that City's review or approval of the Plans is discretionary, City shall exercise such discretion in Tenant's favor.

2.3 Timing of Construction; Termination of Lease. Tenant shall begin onsite construction of the Tenant Improvements as soon as reasonably practicable after City's approval or deemed approval of the Plans and shall complete construction of the Tenant Improvements no later than two (2) years after the date of City's approval or deemed approval. The parties acknowledge and agree that the timeline set forth in this Section 2.3 shall be tolled during any litigation arising out of City's approval of the Plans or Tenant's construction of the Tenant Improvements. For purposes of this Section 2.3, "completion of construction" shall mean the issuance of a certificate of occupancy for the Tenant Improvements. In any instance that City claims a right to terminate this Lease due to delay in construction the City shall first be required to demonstrate that City cannot upon a commercially reasonable basis take over construction of Improvements and complete the same and deliver final Improvements to Tenant along with demand for the costs and expenses related to the same.

SECTION 3
CONSTRUCTION OF THE TENANT IMPROVEMENTS

3.1 Tenant's Agents. A general contractor and subcontractors, laborers, materialmen and suppliers

("Tenant's Agents") as required by Tenant shall be retained by Tenant to construct the Tenant Improvements. Such general contractor ("Contractor") shall be selected by Tenant and Tenant shall deliver to City notice of its selection of the Contractor.

3.2 Construction Schedule. Tenant or Tenant's Agents shall provide City with a schedule of all scheduled construction work related to Tenant Improvements, provided however that such schedule shall be for City's information only and may be modified during the construction of the Tenant Improvements.

3.3 Construction Access License. During the time between Tenant's receipt of building permits or demolition permits to begin the Tenant Improvements until the completion of punch list items for the final approval of all completed Tenant Improvements (the "Construction Period"), Tenant and Tenant's Agents shall be granted a license to access the Premises, including ingress and egress rights to the Premises for the transportation of semi-trailers and other construction-related vehicles as reasonably necessary for the construction of the Tenant Improvements, subject to reasonable restrictions from City or the Hollister Municipal Airport as may be necessary for the safe operation of the airport surrounding the Premises.

3.4 Construction Storage and Staging. During the Construction Period, City shall provide for the exclusive use for Tenant and Tenant's Agents a designated area for construction staging, storage and parking by Tenant and Tenant's Agents (the "Construction Staging Zone") in addition to the Premises as may be reasonably necessary during the Construction Period. Tenant and City shall work in good faith to identify the size and location of the Construction Staging Zone needed for the Tenant Improvements, and the parties recognize that such needs may change during the course of the Construction Period. At Tenant's sole cost for installation and security thereof, Tenant shall have the right, but not the obligation, to install security fencing around the Construction Staging Zone and to hire private security to monitor the Construction Staging Zone twenty-four hours per day.

3.5 Insurance Requirements.

3.5.1 Tenant's Coverages. During the Construction Period, Tenant shall carry commercial general liability insurance covering the construction of the Tenant Improvements in an amount that is the lesser of: (i) \$1 million per occurrence and \$2 million annual aggregate, and (ii) the value of the leased Premises plus then existing improvements; it being understood and agreed that the Tenant Improvements shall be insured by Tenant pursuant to the Lease immediately upon completion thereof. Such insurance may at Tenant's election include extended coverage endorsements or umbrella policy endorsements as may be reasonably required in order to satisfy the policy limits pursuant to this Work Letter.

3.5.2 City's Coverage. During the Construction Period, City shall maintain during the Construction Period the insurance coverages as required of City under the Lease.

3.6 Notice of Completion. Within thirty (30) days after completion of construction of the Tenant Improvements, including the completion of all punch list items, Tenant shall provide City with a Notice of Completion.

SECTION 4.

MISCELLANEOUS

4.1 Tenant's Representative. Tenant has designated Niraj Nath as its representative with respect to the matters set forth in this Tenant Work Letter, who, until further notice to City, shall have full authority and responsibility to act on behalf of the Tenant as required in this Tenant Work Letter.

4.2 City's Representative. City has designated Michael Chambless and William Avera, or their successors, as its representatives with respect to the matters set forth in this Tenant Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the City as required in this Tenant Work Letter.

4.3 Time of the Essence in This Tenant Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days. If any item requiring approval is timely disapproved by City, the procedure for preparation of the document and approval thereof shall be repeated until the document is approved by City.

4.4 Default. Tenant shall not be deemed in default of its obligations stated in this Work Letter until thirty (30) days after City has provided written notice of Tenant's failure to perform under this Work Letter to Tenant.