



CITY COUNCIL STAFF REPORT

DATE: July 7, 2010

CONSENT AGENDA

SUBJECT: Signature Flight Support, Inc. Operating and Lease Agreement for Hangar Rentals

FROM: David H. Ready, City Manager

BY: Airport Department

SUMMARY

This action will award a new lease with Airport tenant Signature Flight Support, Inc., for the extended occupancy of one hangar and the rental of another vacant hangar.

RECOMMENDATION:

1. Approve an Operating and Lease Agreement for two Hangar Rentals with Signature Flight Support, Inc., commencing on September 1, 2010 through August 31, 2012 with one one-year option at a monthly rental rate of \$9,400 per month.
2. Authorize City Manager to execute all necessary documents.

STAFF ANALYSIS

The Airport Commission voted to recommend this tenant lease item at its June 16, 2010 meeting.

Signature Flight Support is one of the Airport's two Fixed Base Operators and it maintains long-term leasehold consisting of 14 parcels located off El Cielo and Alejo Roads. The lease being presented here is not integrated into this long-term agreement with Signature because it is only short-term (3 years maximum) and it includes the rental of two existing City owned hangars, one of which has a high probability of being demolished to accommodate future growth of the airport. After several months of negotiations, involving the local flight school, which is a subtenant of Signature (separate lease on Council agenda tonight), Signature has agreed to continue to lease

ITEM NO. 2.1.

a portion of the old hangar on El Cielo (across from City Hall), lease the entire previously occupied Annenberg hangar, and release the Flight School from its sublease so they can lease directly with the City. The terms of this new agreement are a two-year base with a one-year option exercised at the will of the City and commencing on September 1, 2010.

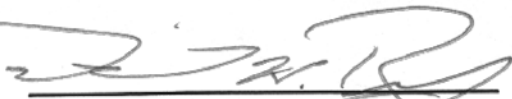
FISCAL:

The Airport Enterprise Fund will generate \$112,000 annually from Signature and then another \$18,000 in rent from the Flight School now that it will have a direct lease with the City. This total of \$130,000 in rental income for both hangars is 45% greater than what was being received in rent under the previous arrangements. The terms of this agreement also include an annual rent escalation based upon the Consumer Price Index.

The only added expenses to the Airport will be the utilities and maintenance of the one hangar located on El Cielo (across from City Hall). The approximate \$40,000 in added new rental income each month will offset these expenses. Airport staff already has to maintain a portion of this hangar because the US Customs is present there and the agreement calls for it. This same airport staff will now maintain the remainder of the building as part of the normal daily duties.



Thomas Nolan,
Executive Director, Airport



David H. Ready, City Manager

cc: Signature Flight Support, Inc. Operating & Lease Agreement for Hangar Rentals

SIGNATURE FLIGHT SUPPORT, INC.
OPERATING AND LEASE AGREEMENT
FOR HANGAR RENTALS
AT PALM SPRINGS INTERNATIONAL AIRPORT

THIS LEASE ("Lease") is made and entered into this first day of September 2010, by and between the CITY OF PALM SPRINGS, a charter city and California municipal corporation ("City"), and Signature Flight Support Corporation ("Tenant") a Delaware corporation. City and Tenant may hereinafter be referred to individually as a "Party" and collectively as "Parties".

RECITALS

A. Tenant desires to lease a portion of the old Signature Flight Support Facility located on Airport property at 210 N. El Cielo Road, Palm Springs, California, 92262 and also lease the City hangar located on a portion of parcel 502-100-038 within Airport property.

NOW THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and Tenant mutually agree as follows:

AGREEMENT

Section 1. LEASE SUMMARY

Certain fundamental Lease provisions are presented in this Section and represent the agreement of the parties hereto, subject to further definition and elaboration in the respective referenced Sections and elsewhere in this Lease. In the event of any conflict between any fundamental Lease provision and the balance of this Lease, the latter shall control.

- 1.1 Demised Premises. The "Demised Premises" consists of two separate facilities: Hangar 1 (23,519.5 Square Feet) - Old Signature Flight Support Hangar/Offices 210 N. El Cielo Road, more particularly described in Exhibit "A" attached hereto. Hangar 2 - (30,000 Square Feet) a portion of parcel APN 502-100-038 more particularly described in Exhibit "B".
- 1.2 Lease Term. The two-year term of this Lease shall commence on September 1, 2010 and terminate on August 31, 2012 with an additional one-year option at the City's discretion.
- 1.3 Lease Rental Payments. Rental payments due on the first of each month of the agreement period as follows: Year 1: \$9,400.00 monthly rental payment x 12 months. The rent shall be automatically adjusted annually in an amount equal to the increase in the Consumer Price Index for All Urban Consumers (CPI-U) in the Los Angeles-Riverside-Orange County, CA for the month of April preceding the adjustment date as compared to the preceding base index. The CPI-U for June 2010 shall be the first

base (100%). City shall send Tenant written notice of the applicable rent increase along with documentation evidencing the calculation used to arrive at that figure no less than thirty (30) days prior to the date the increase becomes effective.

- 1.4 Use of Demised Premises. Demised Premises shall be utilized to conduct activities related to an Aviation Fixed Base Operator in compliance with the Airport Rules and Regulations.

Section 2. TERM

- 2.1 Term. The initial term of this Lease shall commence on the date specified in Section 1.2 ("Commencement Date") and shall continue for the period specified therein. Lease subject to earlier termination as otherwise provided in this Lease.

If Tenant remains in possession of all or any part of the Demised Premises after the expiration of the term hereof, with or without the express or implied consent of City, such tenancy shall be from month to month only, and not a renewal hereof or an extension for any further term, and in such case, rent and other monetary sums due hereunder shall be payable in the amount and at the time specified in the Lease and such month to month tenancy shall be subject to every other provision, covenant and agreement contained herein. Acceptance by City of rent after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of the subsection are in addition to and do not affect the right of re-entry or any right of City hereunder or as otherwise provided by law, and in no way shall affect any right which City may otherwise have to recover damages from Tenant for loss or liability incurred by City resulting from such failure by Tenant to surrender the Demised Premises. Nothing contained in this Sub-section shall be construed as consent by City to any holding over by Tenant, and City expressly reserves the right to require Tenant to surrender possession of the Demised Premises to City as provided in this Lease upon the expiration or other termination of the Lease.

- 2.2 Option Period. City is given the option to extend the term on all provisions contained in this lease for the period specified in Section 1.2 (Lease Term) following the expiration of the initial term, by giving notice of exercise of the option ("option notice") to Tenant at least sixty (60) days before the expiration of the initial term. If Tenant is in default on the date the extended term is to commence, the extended term shall not commence and this Lease shall expire at the end of the initial term.

- 2.3 Termination Prior to Expiration Of Term. This Section shall govern any termination of this Agreement. The City reserves the right to terminate this Agreement at any time, with or without cause, upon thirty (30) days' written notice to Tenant, except that where termination is due to the fault of the Tenant, the period of notice may be such shorter time as may be determined by the City. In addition, the Tenant reserves the right to terminate this Agreement at any time with or without cause, upon thirty (30) days' written notice to City, except that where termination is due to

the fault of the City, the period of notice may be such shorter time as the Tenant may determine. Upon receipt of any notice of termination, Tenant shall immediately cease all services hereunder, except such as may be specifically approved by the Contract Officer. If termination of this agreement is undertaken by the City without cause, City shall reimburse Tenant for Tenant's actual construction cost of any new improvements installed subsequent to the execution of this Lease and pursuant to the provisions of Section 5.1 of this Lease, less depreciation at the rate of 20% per year from date of this Lease, regardless of when such improvements are installed. The reimbursement provided above shall be Tenant's sole and exclusive remedy and form of compensation, costs or damages, including Relocation Assistance benefits (Sec. 7260 et seq. of the California Government Code), due to termination, re-entry or acquisition by City.

Section 3. RENTAL.

- 3.1 Yearly Rental. Tenant shall pay to City, during the term of this Lease from and after the Commencement Date as monthly rental for the Demised Premises the sum specified in Section 1.3 hereof, which sum shall be paid in advance on the first day of each agreement month.
- 3.2 Real Property Taxes. In addition to all rentals herein reserved, Tenant shall pay, at the election of City, either directly to the taxing authority or to City, any annual real estate taxes and assessments levied upon the Demised Premises (including any possessory interest taxes), as well as taxes of every kind and nature levied and assessed in lieu of, in substitution for, or in addition to, existing real property taxes, if any. (Tenant specifically acknowledges that the interest granted under this Lease may be subject to possessory interest taxes.) Such amount shall be paid on the date that is twenty (20) days prior to the delinquent date or, if City receives the tax bill, ten (10) days after receipt of a copy of the tax bill from City, whichever is later. Even though the term of this Lease has expired and Tenant has vacated the Demised Premises, when the final determination is made of Tenant's share of such taxes and assessments, Tenant shall immediately pay to City the amount of any additional sum owed.
- 3.3 Personal Property Taxes. During the term hereof Tenant shall pay prior to delinquency all taxes (if any) assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant contained in the Demised Premises, and when possible tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property of City.
- 3.4 Utilities. All cost for water, gas, sewer, heat or electricity used in connection with the heating or air conditioning furnished to the Demised Premises located at Hangar 1 shall be paid by the City. Tenant shall pay all costs for all utilities used in connection with Hangar 2. Tenant shall pay before delinquency all charges for telephone service, trash removal and all other services and utilities used in, upon, or about both Hangar 1 and 2 Demised Premises by Tenant.

3.5 Late Payment. Tenant hereby acknowledges that late payment by Tenant to City of rental or other sums due hereunder will cause City to incur costs not contemplated by this Lease, the exact amount of which is extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges. Accordingly, any payment of any sum to be paid by Tenant not paid within five (5) days of its due date shall be subject to a five percent (5%) late charge. City and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to City for its loss suffered by such late payment by Tenant.

3.6 Interest. Any sum to be paid pursuant to the terms of this Lease not paid when due shall bear interest from and after the due date until paid at a rate equal to three percent (3%) over the reference rate being charged by Bank of America, N.A. from time to time during such period so long as the rate does not exceed the maximum non-usurious rate permitted by law in which case interest shall be at the maximum non-usurious rate allowed by law at the time the sum became due.

Section 4. USE OF THE PREMISES.

4.1 Permitted Uses. Demised Premises shall only be utilized to conduct activities related to an Aviation Fixed Based Operator based upon the Airport Rules & Regulations.

4.2 Compliance with Laws. Tenant shall, at its sole cost and expense, comply with all of the requirements of all municipal, state, and federal authorities now in force or which may hereafter be in force pertaining to the use of the Demised Premises, and shall faithfully observe in said use all municipal ordinances, including, but not limited to, the General Plan and zoning ordinances, state and federal statutes, or other governmental regulations now in force or which shall hereinafter be in force.

Tenant shall not engage in any activity on or about the Demised Premises that violates any Environmental Law, and shall promptly, at Tenant's sole cost and expense, take all investigatory and/or remedial action required or ordered by any governmental agency or pursuant to any Environmental Law for clean-up and removal of any contamination involving any Hazardous Material created or caused directly or indirectly by Tenant. The term "Environmental Law" shall mean any federal, state or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the environmental conditions on, under or about the Demised Premises, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), 42 U.S.C. Sections 9601 et seq.; (ii) the Resource Conservation and Recovery Act of 1976. ("RCRA"), 42 U.S.C. Sections 6901 et M.; (iii) California Health and Safety Code Sections 25 100 et seq.; (iv) the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5 et seq.; (v) California Health and Safety Code Section 25359.7; (vi) California Health and Safety Code Section 25915; (vii) the Federal Water Pollution Control Act, 33 U.S.C. Sections

1317 et Seq.; (viii) California Water Code Section 1300 et seq.; and (ix) California Civil Code Section 3479 et seq., as such laws are amended and the regulations and administrative codes applicable thereto. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined or listed as a "hazardous waste", "extremely hazardous waste", "restrictive hazardous waste" or "hazardous substance" or considered a waste, condition of pollution or nuisance under the Environmental Laws; (ii) petroleum or a petroleum product or fraction thereof; (iii) asbestos; and/or (iv) substances known by the State of California to cause cancer and/or reproductive toxicity. It is the intent of the parties hereto to construe the terms "Hazardous Materials" and "Environmental Laws" in their broadest sense. Tenant shall provide all notices required pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5 et seq. Tenant shall provide prompt written notice to City of the existence of Hazardous Substances on the premises and all notices of violation of the Environmental Laws received by Tenant.

- 4.3 No Exclusive Rights. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958, as amended.
- 4.4 Public Facilities, Ingress, Egress and Quiet Enjoyment. City agrees that Tenant, upon payment of the rental hereunder and performing the covenants of the Lease, may quietly have, hold and enjoy the Demised Premises during the term of the Lease, and that Tenant shall have the right to use, in common with others, the parking facilities adjacent to the Demised Premises and Tenant shall have a reasonable right of ingress to and egress from the Demised Premises and the public facilities for its employees, visitors and customers.
- 4.5 Rules and Regulations. Tenant shall faithfully observe and comply with the any rules and regulations that City shall from time to time promulgate and/or modify. Any amendment or modification of the Airport Rules and Regulations shall be binding upon the Tenant upon delivery of a copy of such amendment or modification to Tenant. City shall not be responsible to Tenant for the nonperformance of any said rules and regulations by any other tenants or occupants. The Airport Rules and Regulations shall apply and be enforced as to all tenants in the Demised Premises on a uniform basis.
- 4.6 Financial Penalties – Security Infractions. Tenant shall be responsible for any financial penalties associated with causing security infractions related to Transportation Security Administration regulations.
- 4.7 U.S. Customs – Non Interference. Tenant shall not impede the adjoining U.S. Customs operation inside or outside of the Hangar 1 facility.
- 4.8 Signage. All exterior signage must be approved in advance by the City. All signage must also meet the requirements of the Palm Springs Municipal Code Signage Ordinance.

- 4.9 Entry and Inspection. Tenant shall permit the City and its agents to enter into and upon the Demised Premises at all reasonable times for the purpose of inspecting the same or for the purpose of maintaining the Demised Premises as required by the terms of this Lease.
- 4.10 Hangar 2 – Emergency Access Road. Tenant agrees that they will allow City unrestricted access, at all times during the term of this Agreement, to the emergency services access road, as it currently exists or may be modified in the future, that crosses the northeast corner of the Hangar 2 Demised Premises as depicted on the attached Exhibit "B".
- 4.11 Hangar 1 – Flight School Aircraft Parking. Tenant will provide the Flight School, located in the Hangar 1 facility, non-dedicated parking for two single engine aircraft in Hangar 1 at no charge during the full term of the agreement.
- 4.12 Exclusive Parking Area. 4,159.5 SF which includes 10 parking spaces in Hangar 1 adjacent parking lot designated as spaces 20-29 on the attached Exhibit "A". Tenant has access to parking spaces through the Flight School Hangar 1 adjacent parking area.

Section 5. ALTERATIONS AND REPAIRS.

- 5.1 Improvements, Alterations and Fixtures. Tenant shall not make or suffer to be made, any alterations or improvements to the Demised Premises, or any part thereof, without the prior written consent of City, and any alterations or improvements to the Demised Premises, except movable furniture, and trade fixtures, shall become at once a part of the realty and shall at the expiration or earlier termination of this Lease belong to City free and clear of any liens or encumbrances. Any such alterations or improvements shall be in conformance with the requirement of all municipal, state, federal, and other governmental authorities, including requirements pertaining to the health, welfare or safety of employees or the public and in conformance with reasonable rules and regulations of City. City may require that any such alterations or improvements be removed prior to the expiration of the term hereof. Any removal of alterations or improvements or furniture and trade fixture shall be at Tenant's expense and accomplished in a good and workmanlike manner. Any damage occasioned by such removal shall be repaired at Tenant's expense so that the Demised Premises can surrender in a good, clean and sanitary condition as required by Section. 5.2 hereof. All fixtures, improvements and appurtenances installed by Tenant shall conform with the requirements of all municipal, state, federal, and governmental authorities including requirements pertaining to the health, welfare, or safety of employees or the public.
- 5.2 Maintenance and Repair. Tenant shall, subject to City's obligations hereinafter provided, at all times during the term hereof, and at Tenant's sole cost and expense, keep, maintain and repair the Demised Premises and other improvements within the Demised Premises in good and sanitary order, condition,

and repair (except as hereinafter provided). Maintenance will include pest control services. City shall, at its sole cost and expense, be responsible for any alterations or improvements to the Hangar 1 - Demised Premises necessitated as a result of the requirement of any municipal, state or federal authority. Tenant shall, at its sole cost and expense, be responsible for any alterations or improvements to the Hangar 2 - Demised Premises necessitated as a result of the requirement of any municipal, state or federal authority. By entering into the Demised Premises, Tenant shall be deemed to have accepted the Demised Premises as being in good and sanitary order, condition and repair, and Tenant agrees on the last day of said term or sooner termination of this Lease to surrender the Demised Premises with appurtenances, in the same condition as when received and in a good, clean and sanitary condition, reasonable use and wear thereof and damage by fire, act of God or by the elements excepted. City shall be responsible for roof and window repairs and any associated water damage repairs in Hangar 1.

5.3 Free From Liens. Tenant shall keep the Demised Premises free from any liens arising out of any work performed, material furnished, or obligation incurred by Tenant or alleged to have been incurred by Tenant.

5.4 City's Reserved Rights. City reserves the right to further develop or improve the aircraft operating area of the Airport as it sees fit, and 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 the Demised premises which, in the opinion of City, would limit the usefulness of the Airport or constitute a hazard to aircraft.

5.5 Lease to United States. During the time of war or national emergency, City shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use, and, if such lease is executed, the provisions of this Lease insofar as they are inconsistent with the provisions of the lease to the Government shall be suspended and, in that event, a just and proportionate part of the rent hereunder shall be abated, and the period of such closure shall be added to the term of this Lease so as to extend and postpone the expiration thereof unless the Tenant otherwise elects to terminate this Lease.

Section 6. INSURANCE AND INDEMNIFICATION.

6.1 Insurance. Prior to its ability to access the Demised Premises, Tenant will provide City with proof of insurance, at Tenant's sole cost and expense, to remain in full force and effect during the entire term of this Lease. The following policies of insurance shall be maintained:

6.1.1 Workers' Compensation Insurance. Workers' Compensation Insurance in an amount required by the laws of California and Employer's Liability Insurance in an amount not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit for all damages arising from each accident or occupational disease.

6.1.2 Commercial General Liability. Commercial General Liability Insurance, written on a per-occurrence and not a claims-made basis, with a combined single limit of at least FIVE MILLION DOLLARS (\$5,000,000) bodily injury and property damage, including coverages for contractual liability, personal injury, independent contractors, broad form property damage, products and completed operations.

6.1.3 Aircraft and Automobile Liability Insurance. A policy of comprehensive aircraft and on-premises automobile liability insurance written on a per-occurrence basis in an amount not less than FIVE MILLION DOLLARS (\$5,000,000) combined single limit covering all owned, non-owned, leased, and hired aircraft / vehicles used in connection with operations occurring on the Demised Premises.

6.1.4 Other Insurance. Tenant, at its sole expense, shall maintain fire and extended coverage insurance throughout the term of this Lease written on a per-occurrence basis on the Demised Premises, its trade fixtures, equipment, personal property and inventory within the Demised Premises from loss or damage to the extent of the full replacement value, as well as such other policies of insurance including, but not limited to, casualty insurance, business interruption insurance, and fidelity insurance, as may be required by the nature of operations.

6.1.5 General Provisions. The above insurance shall be primary and no other insurance maintained by the City will be called upon to contribute to a loss. All policies except Workers Compensation shall have the City named as an additional insured. Workers Compensation insurance of the Tenant shall contain a waiver-of-subrogation clause in favor of the City, its officers, directors, officials, agents, employees, volunteers, and representatives. All policies of insurance required to be obtained by Tenant hereunder shall be issued by insurance companies authorized to do business in California and must be rated no less than A-, VII or better in Best's Insurance Guide. Prior to engaging in any operations hereunder, Tenant shall deliver to City certificate(s) of insurance and original endorsements evidencing the coverages specified above. Such policies shall not be cancelled or materially altered to the detriment of City or Tenant without the insurer providing City with thirty (30) days' written notice.

6.2 Indemnification by Tenant. Tenant shall indemnify, defend (with counsel designated by City), protect and hold harmless City, City's Parties and the Releasing Parties from and against any and all claims, demands, judgments, actions, damages, losses, penalties, liabilities, costs and expenses (including, without limitation, attorney's fees and court costs) arising at any time directly or indirectly from or in connection with (i) any default in the performance of any obligation by Tenant to be performed under the terms of this Lease, (ii) Tenant's use of the Demised Premises, or (iii) the conduct of Tenant's business or any activity, work or things done, permitted or suffered by Tenant in or about the Demised Premises, except to the extent caused by City's sole negligence or willful misconduct. The obligations of Tenant under this Article 6 shall survive the expiration or earlier termination of this Lease.

Tenant, as a material part of the consideration to City, hereby assumes all risk of damage to the Demised Premises, including, without limitation, injury to persons in, upon or about the Demised Premises during Tenant's use of the Demised Premises, except where such damage or injury is caused solely by the negligence or willful misconduct of the City or the City's Parties. Tenant hereby waives all claims with respect thereof against City. City shall not be liable for any injury to the Tenant, or injury to or death of any of Tenant's Parties, or injury to or death of any other person in or about the Demised Premises from any cause except to the extent caused solely by the negligence or willful misconduct of the City or the City's Parties.

- 6.3 Assumption of All Risks and Liabilities. Tenant assumes all risks and liabilities arising out of any and all use of the Demised Premises by Tenant or Tenant's Parties, except where such damage or injury is caused solely by the negligence or willful misconduct of the City or the City's Parties.

Section 7. ABANDONMENT AND SURRENDER.

- 7.1 Abandonment. Tenant shall not vacate or abandon the Demised Premises at any time during the term of this Lease; and if Tenant shall abandon, vacate or surrender the Demised Premises or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the Demised Premises shall be deemed to be abandoned, at the option of City, except such property as may be mortgaged to City.

It is further covenanted and agreed that voluntary failure and discontinuance by and on the part of the Tenant, its successors and assigns, to occupy, use and enjoy said herein Demised Premises for the purposes herein stated, for a continuous period of six (6) successive months shall, at City's election, constitute an abandonment hereunder.

- 7.2 Surrender of Lease. The voluntary or other surrender of this Lease by Tenant or a mutual cancellation thereof, shall not work a merger, and shall, at the option of City, terminate all provisions of existing lease.

Section 8. DAMAGE AND DESTRUCTION OF THE DEMISES PREMISES.

In the event of (a) partial or total destruction of the Demised Premises during the term of this Lease, which requires repairs to the Demised Premises, or (b) the Demised Premises being declared unsafe or unfit for occupancy by any authorized public authority for any reason, which declaration requires repairs to the Demised Premises, City shall have the option to forthwith make said repairs or to exercise Section 2.3 Termination Prior to Expiration of Term.

Section 9. ASSIGNMENT.

Tenant shall not assign this Lease, the Demised Premises or any interest therein without the written consent of the City. Any assignment without the prior written consent of City shall be void, shall constitute a material breach of this Lease, and shall, at the option of City, terminate this Lease.

Section 10. ENCUMBRANCE.

This Agreement may not be encumbered.

Section 11. DEFAULT AND REMEDIES.

11.1 In the event Tenant fails to perform any obligations under this Lease and after the expiration of any cure period, City may terminate Tenant's right to possession of the Demised Premises by any lawful means, in which case the Lease shall terminate.

11.2 Neither party shall be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligation within thirty (30) days after written notice by the other party specifying in reasonable detail the nature and extent of any such failure; provided, however, that if the nature of the obligation is such that more than thirty (30) days are required for its performance, then the party shall not be deemed to be in default if it shall commence such performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.

Section 12 ENFORCEMENT OF LAW

12.1 Governing Law. This Lease shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

12.2 Compliance with Law. All services rendered hereunder shall be provided in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and any Federal, State, or local governmental agency having jurisdiction in effect at the time service is rendered.

12.3 Waiver. The waiver of any breach of any provision hereunder by City or Tenant shall not be deemed a waiver of any preceding or subsequent breach hereunder. No failure or delay of any Party in the exercise of any right given hereunder shall constitute a waiver thereof nor shall any partial exercise of any right preclude further exercise thereof.

12.4 Severability. If any paragraph, section, sentence, clause or phrase contained in this Lease shall become illegal, null or void, against public policy, or otherwise

unenforceable, for any reason, or held by any court of competent jurisdiction to be illegal, null or void, against public policy, or otherwise unenforceable, the remaining paragraphs, sections, sentences, clauses or phrases contained in this Lease shall not be affected thereby.

12.5 Termination Prior to Expiration of Term due to Bankruptcy. The parties agree that if Tenant: (i) files a petition in bankruptcy, (ii) is adjudicated bankrupt, (iii) if a petition in bankruptcy is filed against Tenant and not discharged within thirty (30) days, (iv) if Tenant becomes insolvent or makes an assignment for the benefit of its creditors or an arrangement pursuant to any bankruptcy law, or (v) if a receiver is appointed for Tenant or its business during the Term of this Lease, City may terminate this Lease upon twenty-four (24) hours' written notice to Tenant.

12.6 Attorney's Fees. If either party to this Lease is required to initiate or defend or made a party to any action or proceeding in any way connected with this Lease, the prevailing party in such action or proceeding in addition to any other relief, which may be granted, shall be entitled to reasonable attorney's fees and costs.

Section 13. CITY OFFICERS AND EMPLOYEES; NON-DISCRIMINATION.

13.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Tenant, or any successor in interest, in the event of any default or breach by the City or for any amount, which may become due to the Tenant or to its successor, or for breach of any obligation of the terms of this Lease.

13.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Lease nor shall any such officer or employee participate in any decision relating to this Lease which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. Tenant warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Lease.

13.3 Standard Covenant Against Discrimination. Tenant covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the performance of this Lease. Tenant shall take affirmative action to insure that applicants are employed and that employees are treated during employment without regard to their race, color, creed, religion, sex, marital status, national origin, or ancestry.

13.4 Americans With Disabilities Act. In its operation of Demised Premises, Tenant shall comply with the Americans with Disabilities Act and all federal regulations applicable under the Act.

Section 14. FAA REQUIRED PROVISIONS.

- 14.1 Tenant, as a part of the consideration for this Lease, covenants and agrees "as a covenant running with its interest in property" that in the event facilities are constructed, maintained, or otherwise operated on the Airport or the Demised 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, the 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, Part 23, Nondiscrimination in Federally Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, as such regulations may be amended from time to time.
- 14.2 This Lease is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR Part 23. The Tenant or contractor agrees that it will not discriminate against any business owner because of the owner's race, color, national origin or sex in connection with the award or performance of any concession agreement, management contract, or subcontract, purchase or lease agreement or other agreement covered by 49 CFR part 23.
- 14.3 The Tenant or contractor agrees to include the above statements in any subsequent concession agreement or contract covered by 49 CFR Part 23, that it enters and causes those businesses to similarly include the statements in further agreements.
- 14.4 In the event of a breach of the covenants specified in Subsection 14.1 and 14.2 of this Lease, City shall have the right to terminate this Lease and to reenter and repossess the Demised Premises and the facilities thereon and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of Title 49, Code of Federal Regulations, Part 23 are followed and completed, including the expiration of any appeal rights.
- 14.5 Tenant shall furnish its services on a fair, equal, and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable, and not unjustly discriminatory prices for its services; provided that Tenant may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar type of price reductions to volume purchases or other rational, reasonable basis. Non-compliance with this provision shall constitute a material breach of this Lease and in the event of such non-compliance, City shall have the right to terminate this Lease and any interest in property created without liability or at the election of the City or the United States either or both Governments shall have the right to judicially enforce this provision.
- 14.6 Tenant agrees that it shall insert the above five provisions in any lease or contract by which Tenant grants a right or privilege to any person, partnership, or corporation to render services to the public on the Demised Premises pursuant to this Lease. Nothing in this provision shall be construed as waiving any obligations

or requirements of the Tenant pursuant to Subsection 4.3 of this Lease or abrogate the rights of the City pursuant to such subsection.

- 14.7 This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the City and the United States relative to the development, operation, or maintenance of the Airport.
- 14.8 This Lease, and all provisions hereof, shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation, and taking over of the Airport or the exclusive or non-exclusive use of the Airport by the United States during a time of war or national emergency.

Section 15 MISCELLANEOUS PROVISIONS

- 15.1 Headings. The headings of this Lease are for purposes of reference only and shall not limit or define the meaning of the provisions of this Lease.
- 15.2 Counterparts. This Lease may be signed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one instrument.
- 15.3 Labor Disputes. Tenant shall give prompt notice to City of any actual or potential labor dispute which delays or may delay performance of this Lease.
- 15.4 California Law. This Lease shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Lease shall be instituted in the Superior Court of the County of Riverside, State of California, or any other appropriate court in such county, and Tenant covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.
- 15.5 Disputes. In the event of any dispute arising under this Lease, the injured party shall notify the injuring party in writing of its contentions by submitting a claim therefore. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within forty-five (45) days after service of the notice, or such longer period as may be permitted by the injured party; provided that if the default is an immediate danger to the health, safety and general welfare, such immediate action may be necessary. Compliance with the provisions of this Section shall be a condition precedent to termination of this Lease for cause and to any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured, provided that nothing herein shall limit City's or the Tenant's right to terminate this Lease without cause pursuant to Subsection 2.3..

- 15.6 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Lease, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.
- 15.7 Legal Action. In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Lease, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Lease.
- 15.8 Reservation of City Rights. City reserves the right, but shall not be obligated to Tenant, to maintain the Demised Premises and keep in good repair the Airport or the Demised Premises. The City further reserves the right to direct and control all activities of Tenant consistent with the provisions of this Lease.
- 15.9 Interpretation. The terms of this Lease shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Lease or any other rule of construction which might otherwise apply.
- 15.10 Integration; Amendment. It is understood that there are no oral leases between the parties hereto affecting this Lease and this Lease supersedes and cancels all previous negotiations, arrangements, leases and understandings, if any, between the parties, and none shall be used to interpret this Lease. This Lease may be amended at any time by the mutual consent of the parties by an instrument in writing.
- 15.11 Corporate Authority. The persons executing this Lease on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Lease on behalf of said party, (iii) by so executing this Lease, such party is formally bound to the provisions of this Lease, and (iv) the entering into this Lease does not violate any provision of any other Lease to which said party is bound.
- 15.12 Notice. Any notice required or permitted to be given hereunder shall be in writing and signed by the Party, officer or agent of the Party to whom it is to be sent, and shall be either: (1) personally delivered to the Party to whom it is to be sent, or (2) sent via overnight courier services, or (3) sent via certified or registered mail, return receipt requested, postage prepaid to the respective addresses, or such other addresses as the Parties may specify in writing:

To City: Palm Springs International Airport
Attn: Executive Director - Aviation
3400 East Tahquitz Canyon Way, Suite OFC
Palm Springs, California 92262-6966

Signature Flight Support, Inc.
Lease Agreement for Hangars
Palm Springs International Airport

Page 14 of 18

To Tenant: Signature Flight Support, Inc.
Attn: General Manager
210 N. El Cielo Road
Palm Springs, CA 92262

With a Copy to: Signature Flight Support, Inc.
201 South Orange Avenue, Suite 1100S
Orlando, FL 32801

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first written above.

ATTEST:

CITY OF PALM SPRING
a municipal corporation

By: _____
City Clerk

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

CONTRACTOR: Check one: Individual Partnership Corporation

Corporations require two notarized signatures: One from each of the following: A. Chairman of Board, President, or any Vice President: AND B. Secretary, Assistant Secretary, Treasurer, Assistant Treasurer, or Chief Financial Officer.

By: _____
Signature (notarized)

By: _____
Signature (notarized)

Name: _____

Name: _____

Title: _____

Title: _____

State of _____

State of _____

County of _____

County of _____

On _____ before me, _____

On _____ before me, _____

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.

personally appeared _____
who proved to me on 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
signatures(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.

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.

WITNESS my hand and official seal.

Notary Signature: _____

Notary Signature: _____

Notary Seal:

Notary Seal:

Exhibit "A"

Demised Premises – Hangar 1

A Portion of the Old Signature Corporate Facility
210 N. El Cielo Road
Palm Springs, CA 92262

See Attached

Demised Premises Summary

Total Square Footage = 23,519.5

Hangar 1 – Aircraft Storage = 15,104 SF

Hangar 1 – Downstairs Offices = 2,128 SF

Hangar 1 – Upstairs Offices = 2,128 SF

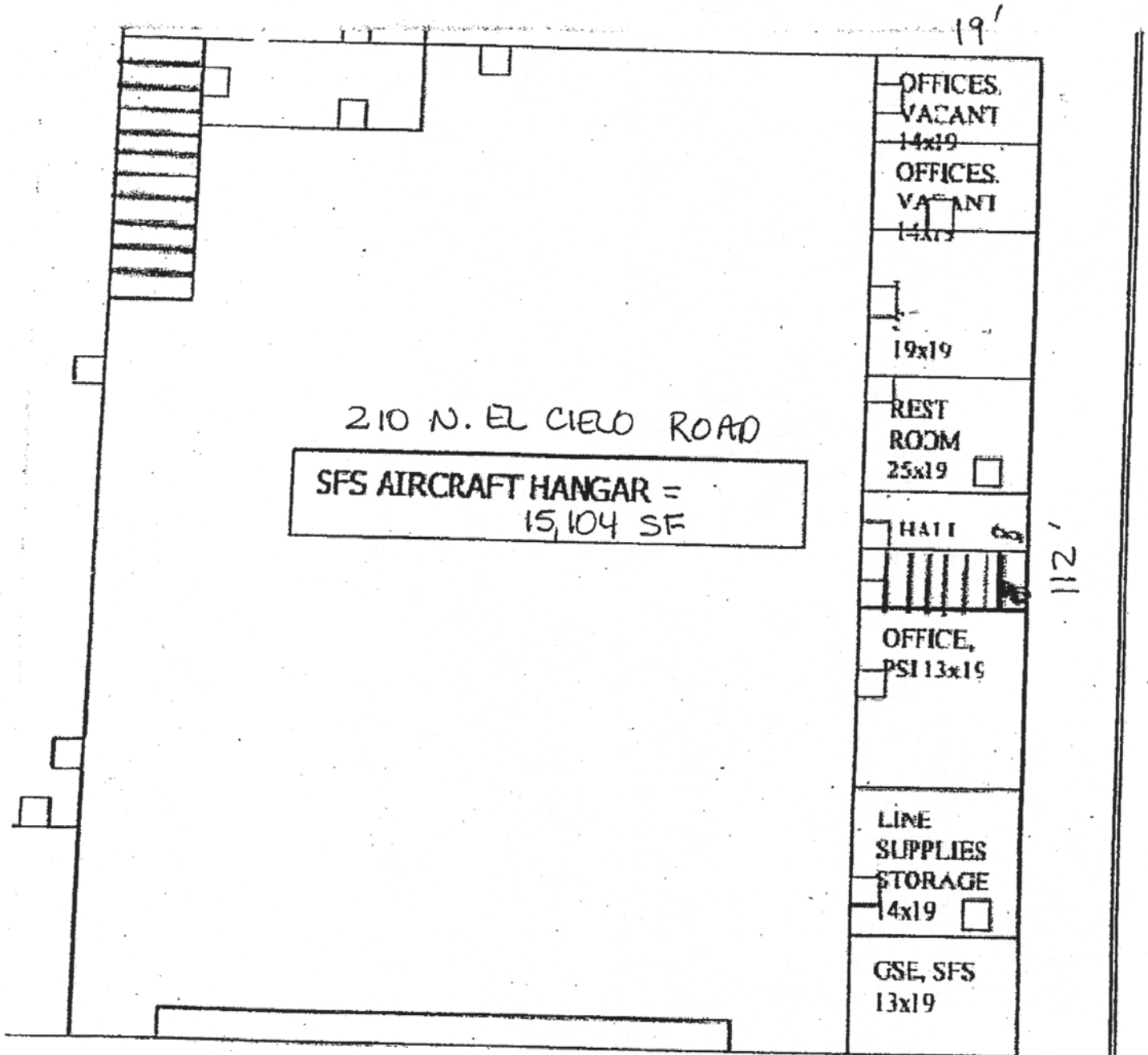
Exclusive Parking Area – 10 Spaces (#20-#29) = 4,159.5 SF

No Apron Area

EXHIBIT A-1

HANGAR 1

DOWNSTAIRS
HANGAR OFFICES



HANGAR 1 - 15,104 SF

HANGAR OFFICES DOWNSTAIRS - 2,128 SF

HANGAR OFFICES UPSTAIRS - 2,128 SF

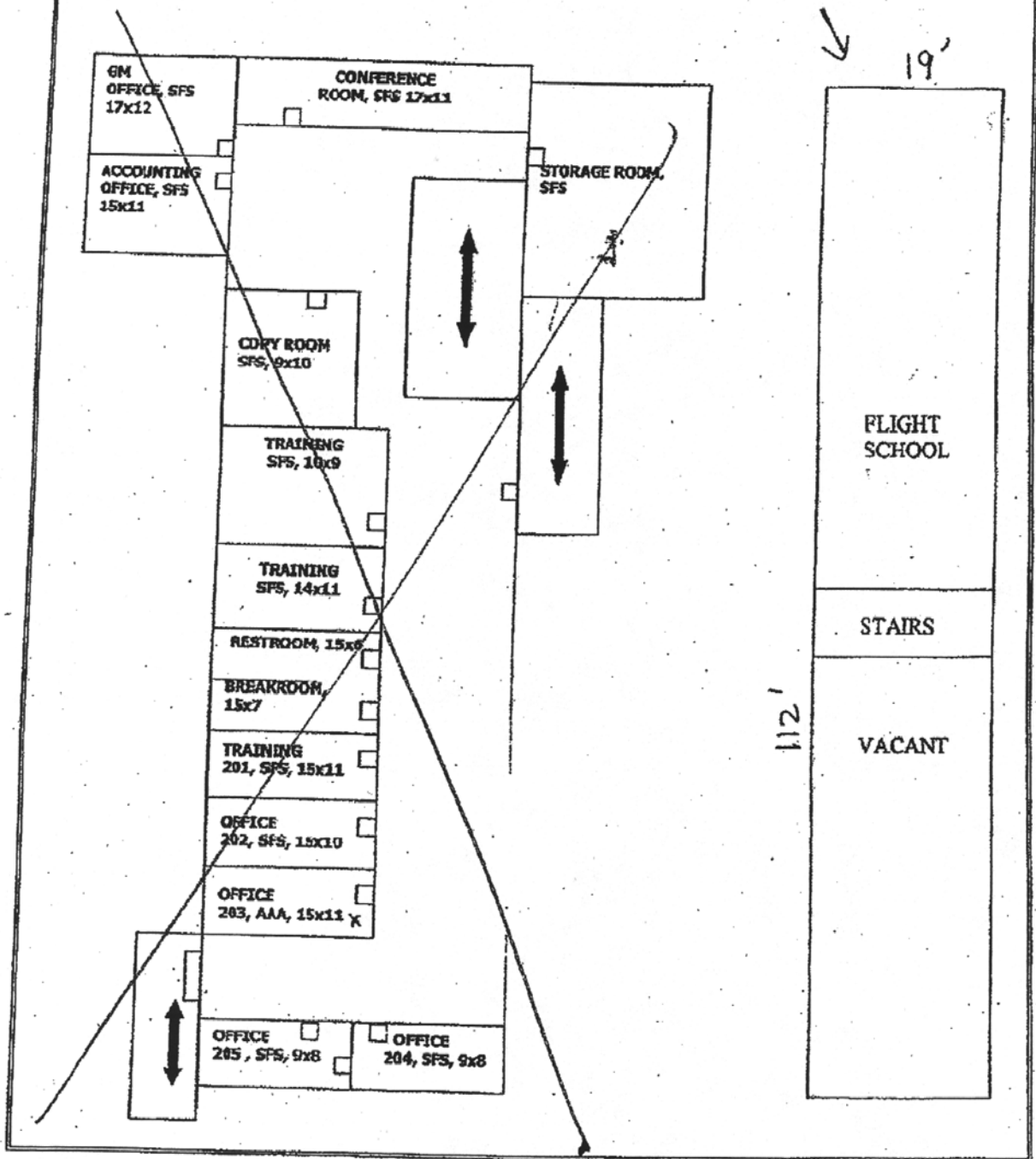
EXHIBIT A-2

HANGAR 1

2ND FLOOR DETAIL LAYOUT - ENTIRE BUILDING

Signature Flight Support

UPSTAIRS OFFICES 2128 SF



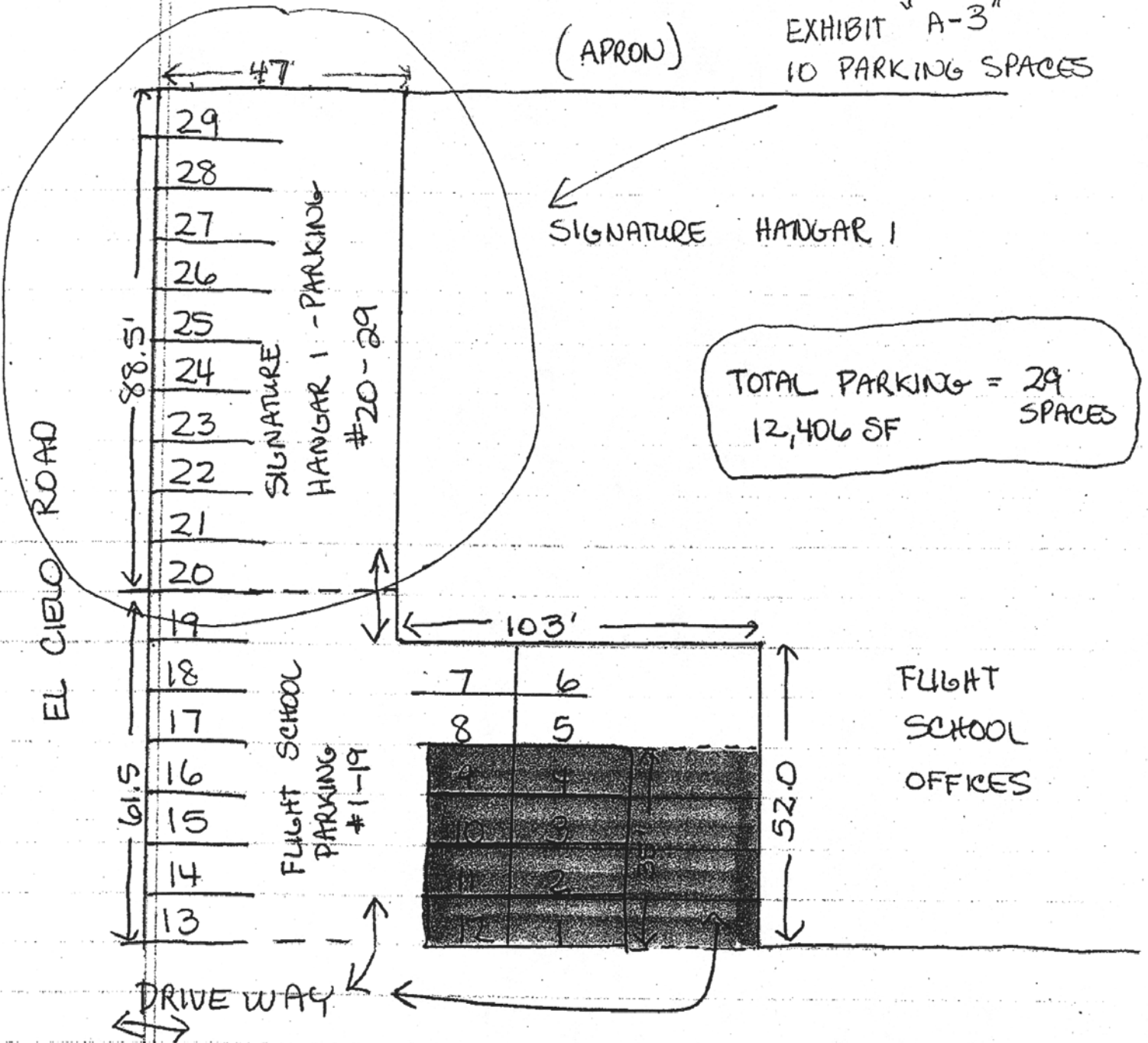
Dozier Appraisal Company
Palm Desert, California

SIGNATURE HANGAR 1
EXHIBIT "A-3"
10 PARKING SPACES

(APRON)

SIGNATURE HANGAR 1

TOTAL PARKING = 29 SPACES
12,406 SF



8,246.5 SF FLIGHT SCHOOL PARKING = #1-19

5,356 SF #1-12 = 103 X 52

2,890.5 SF #13-19 = 61.5 X 47

- 3,605 SF MAY SUBLEASE [REDACTED] = 35 X 103

4,641.5 SF NET FLIGHT SCHOOL

4,159.5 SF SIGNATURE HANGAR 1 = #20-29 88.5 X 47 22
(ACCESS THROUGH FLIGHT SCHOOL PARKING AREA)

Exhibit "B"

Demised Premises – Hangar 2

A Portion of
APN 502-100-038
Palm Springs, CA 92262

See Attached

Demised Premises Summary

Total Square Footage = 30,000 SF

Hangar 2 Building = 10,000 SF

Hangar 2 Apron = 10,000 SF

Hangar 2 Parking = 5,000 SF

HANGAR 2

EXHIBIT B-1

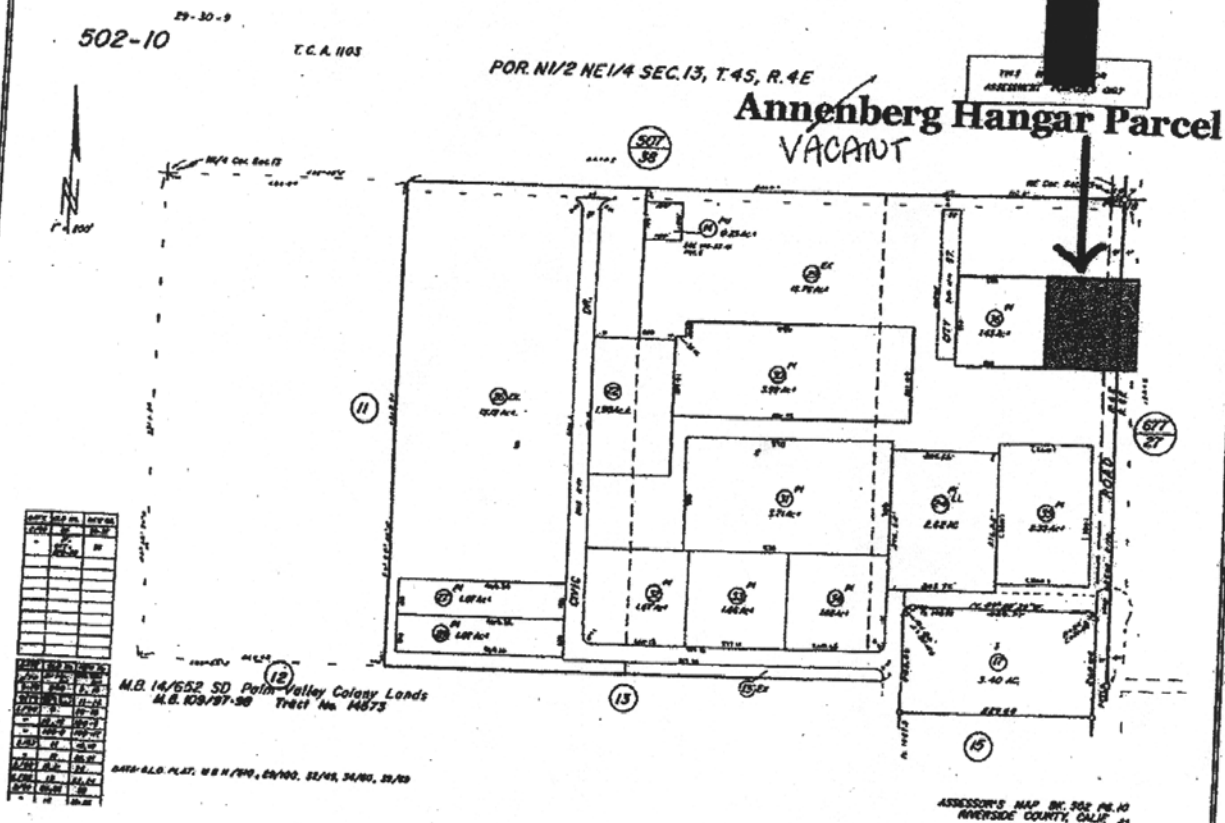
LEGAL DESCRIPTION

Those certain portions of Section 13, Township 4 South, Range 4 East and Section 18, Township 4 South, Range 5 East, San Bernardino Base and Meridian, in the City of Palm Springs, County of Riverside, State of California, being more particularly described as follows:

Commencing at the Northeast corner of said Section 13; thence South $89^{\circ}48'00''$ West along the northerly line of said Section 13, a distance of 452.30 feet; thence leaving said northerly line South $0^{\circ}12'00''$ East, a distance of 471.00 feet; thence North $89^{\circ}48'00''$ East, a distance of 250.00 feet to the TRUE POINT OF BEGINNING; thence from said TRUE POINT OF BEGINNING continuing North $89^{\circ}48'00''$ East, a distance of 250.00 feet; thence North $0^{\circ}12'00''$ West, a distance of 250.00 feet; thence South $89^{\circ}48'00''$ West, a distance of 250.00 feet; thence South $0^{\circ}12'00''$ East, a distance of 250.00 feet to the TRUE POINT OF BEGINNING.

PARCEL MAP

HANGAR 2
EXHIBIT B-2



VACANT
(222.22 x 135) = (ANNENBERG) HANGAR PARCEL - 30,000 SF.
PORTION OF 1.43 ACRE LEGAL LOT
KNOWN AS APN: 502-100-038

HANGAR = 10,000 SF
PARKING = 5,000 SF
APRON = 10,000 SF

