

**LEASE AGREEMENT FOR OFFICE SPACE  
AND AIRCRAFT TIE-DOWN SPACE  
AT LOMPOC AIRPORT**

This Lease Agreement (" Lease Agreement") is made by and between the City of Lompoc, a California municipal corporation ("City") and Wine Country Airlines L.L.C, a California Corporation ("Lessee").

RECITALS

WHEREAS, City owns and operates a municipal airport commonly known as the Lompoc Airport ("Airport"), and

WHEREAS, Lessee desires to lease a portion of Airport for the purpose of using and maintaining office space and tie-down(s) for (1) aircraft; and

WHEREAS, Lessee understands and acknowledges that lease of the Airport must be done in accordance with all of the Federal, State and local rules and regulations that apply to the Lompoc Airport;

NOW, THEREFORE, incorporating the foregoing Recitals herein, it is mutually agreed as follows:

1. Premises. City hereby leases to Lessee, and Lessee hereby hires from City, upon the terms and conditions herein set forth, those certain premises located at the Airport, comprising (1) office of approximately 103 square feet, approximately 262 square feet of shared lounge space, and one tie-down space ("Premises")(as described in Exhibit A, attached hereto and made a part hereof by this reference). All oil, gas and mineral rights are expressly excluded from this Lease Agreement.

2. Term. The term of this Lease Agreement shall be for a period of one (1) year, commencing on the first day of December, 2014 and terminating on the last day of November, 2015, unless sooner terminated as provided in this Lease Agreement

This Lease Agreement will be automatically renewed at the end of each one year term.

3. Use of Premises. Lessee shall use the Premises solely for the purpose of the operating a charter aircraft service. Lessee further agrees any activity, including but not limited to, repair and maintenance of aircraft anywhere on the Premises or at the Airport, which violates Fire Codes, causes structural or other damage to Airport property including surfaces, or detracts from a clean and orderly appearance of the Airport or Premises, is prohibited. Lessee agrees to limit all repairs, maintenance, installation or other aeronautical activity service performed on the aircraft to the extent permitted by Federal Aviation Administration ("FAA") regulations.

4. Rent. Lessee agrees to pay to City at 100 Civic Center Plaza, Lompoc, California, as rent for the use and occupancy of the Premises, the amounts as hereinafter provided during the term of this Lease Agreement. Partial months shall not be prorated. Rent is due on the first day of each month while this Lease Agreement is in effect.

A. Initial Rent. Monthly rent for this Lease Agreement shall be at the rate of Five-Hundred and Fifty Dollars (\$550.00) and shall commence on December 1, 2014. Rent includes the tie-down of one (1) aircraft. Additional aircraft tie-down may be added by lessee at a rate not-to-exceed One-Hundred Dollars (\$100.00) for each additional aircraft per month.

(i) The rental rate and other considerations in this rental agreement are based on the commitment that Lessee will, whenever possible, purchase their aviation fuel at the Airport. Beginning April 1, 2015 Lessee shall purchase at least one-thousand (1000) gallons per month of aviation fuel from Airport. Effective May 1, 2015 Lessee shall be billed by the City seventy five cents (\$0.75) for each gallon of aviation fuel below the one thousand (1000) gallon per month commitment.

B. Rent Adjustments. Effective July 1<sup>st</sup> of each year, a new monthly rental rate shall be determined based upon the following adjustment:

(i) For the purpose of this adjustment, the basic index to be used for adjusting the rental rate shall be the Consumer Price Index ("CPI") for Urban Wage Earners and Clerical Workers U.S. City Average published by the U.S. Department of Labor, Bureau of Labor Statistics (CPI) for the month of or nearest April 1st of each year.

(ii) Effective July 1<sup>st</sup> of each year during the term of this Lease Agreement, including July 1<sup>st</sup> of 2015, the monthly rental rate shall increase by the then current CPI as defined in paragraph (i), plus one percent (1%).

(iii) In the event the CPI decreases to the point of reflecting a negative figure for that year, the rental rate shall not change.

(iv) If at any time during the term of this Lease Agreement the CPI is no longer available, then a comparable economic indicator shall be used to determine the annual rent adjustment.

5. Late Charges. Rent payments, and other costs and charges authorized hereunder, not received by City on or by the tenth day of the month when due are subject to a late penalty, without notice to Lessee, of one and one half percent (1.5%) per month.

6. Security Deposit. Lessee shall deposit with City the sum of one thousand one hundred dollars (\$1,100.00), no later than November 1, 2014 as security for Lessee's performance of Lessee's obligations under this Lease Agreement ("Security Deposit"). Should Lessee default in the performance of any of the terms, covenants, and conditions of this Lease Agreement, City may, after terminating this Lease Agreement, appropriate and apply part or all of the Security Deposit as required to compensate City for damages caused by Lessee's breach. Within twenty-one (21) days after termination of this Lease Agreement, the deposit will be refunded without interest to Lessee after City has deducted such amounts necessary to satisfy any outstanding financial obligations and to replace or restore the Premises to as good condition as when rented to Lessee, reasonable wear and tear excepted.

7. Costs of Lease Agreement. The possessory interest created by this Lease Agreement may be subject to taxation, and Lessee may be subject to the payment of taxes levied on such interest. Lessee acknowledges his actual knowledge of the existence of a possessory

interest tax and receipt of this notice of Lessee's potential tax liability. Lessee agrees they are solely responsible for the timely payment before delinquency of possessory interest taxes and any other tax, levy or assessment upon the Premises, the aircraft, Lessee's personal property, improvements, and fixtures upon the Premises.

8. Aircraft Lien. Lessee consents and agrees City may levy a lien against Lessee's aircraft, improvements, fixtures, and personal property upon the Premises. Such lien shall exist and continue to secure all unpaid amounts which Lessee owes to City. Such lien shall not relieve Lessee from compliance with this Lease Agreement, including the obligation to pay rent as provided herein. If Lessee does not fully and immediately discharge all unpaid amounts, then City is hereby granted and shall have the right to take and recover possession of Lessee's aircraft, improvements, fixtures, and to satisfy City's lien in accordance with California Code of Civil Procedure Sections 1208.61 through 1208.70 and any other applicable common laws or statutory provisions. City may also take and recover possession of personal property stored on the Premises and exercise its lien against the same without notice or other action; and, in addition thereto, City shall have the right to recover all costs and expenses, including reasonable attorneys' fees in connection with repossession and disposal of the aircraft, improvements, fixtures, and personal property and enforcement of City's lien.

9. Condition of Premises.

A. Lessee has inspected the Premises and consents to City and Lessee making the improvements listed in Exhibit B, prior to Lessee's use of Premises. Lessee shall at all times keep and maintain the Premises, improvements, and fixtures in a clean, safe, and orderly condition at all times. Lessee shall not commit or suffer to be committed any waste upon Premises, improvements, and fixtures or commit or allow any nuisance or other act which may disturb or interfere with the Airport, its surroundings, the departure and arrival of aircraft, or other aircraft operations and uses. If fifteen (15) days after receiving written notice from City, Lessee fails to perform the obligations under this paragraph, City shall have the right to perform the same and to charge Lessee therefore, and Lessee shall pay City such costs upon City's demand.

B. Neither Lessee nor any other person shall park or keep any motor home, trailer, boat, or other recreational or commercial vehicle, vehicle for sale or inoperable vehicle on the Premises or at the Airport without City's advance written consent.

C. If Lessee desires to use the services of another person in connection with any aircraft work or repair other than at established repair facilities at the Airport, then City requires such persons to provide their names, addresses, evidence of adequate liability insurance, payment of any required business fees, and proof of City business license; and, lacking such information, such persons may be refused permission to conduct the work or ordered to stop work. The foregoing shall not limit an aircraft owner's or pilot's right to work on his or her own aircraft as permitted by the Federal Aviation Regulations in areas of the Airport so designated by City.

D. Lessee shall not use, keep, store or place in or on the Premises any petroleum products or any materials that are in any way hazardous, toxic, radioactive or explosive, except those which are necessary and appropriate to accomplish the purpose of this Lease Agreement. All such materials shall be used, stored, handled, dispensed and disposed of as required by applicable governmental regulations and laws. Any spills of such materials by Lessee

anywhere on the Airport shall be immediately reported to the Aviation/Transportation Administrator and cleaned up by Lessee, at Lessee's sole expense, in accordance with standards of the industry and applicable governmental regulations and laws.

E. Lessee shall not construct or place signs, awnings, marquees, advertising, or promotional structures upon the Premises or Airport without the prior written permission of City. If Lessee fails to remove any such unapproved signs, displays, advertisements or decorations within twenty-four (24) hours after written notice from City, then City may remove them at Lessee's sole expense.

F. Lessee hereby agrees Lessee will not permit or suffer any liens of any kind to be filed against the Premises as a result of any obligation, malfeasance, negligence, or omission of Lessee and Lessee shall diligently take all necessary and proper steps to remove and discharge any liens which are filed.

10. Alterations. Lessee shall not alter the Premises without City's prior written consent except as herein set forth in Exhibit B.

11. Insurance. Lessee shall not occupy the Premises or operate any aircraft before obtaining the insurance specified below. Insurance amounts may be adjusted annually by the City Administrator.

A. Property Damage and Personal Injury or Death. During the term of this Lease Agreement and any extension hereof, Lessee shall continuously maintain an insurance policy, at his sole expense, providing coverage in amounts of not less than five million dollars (\$5,000,000) per occurrence for property damage, death and personal injury.

B. Aircraft Liability. For each licensed aircraft on Premises, Lessee shall maintain during the term of this Lease Agreement and any extension hereof, at his sole expense, at least the following insurance coverage: bodily injury, including passengers, five-hundred thousand dollars \$500,000 each person, \$1,000,000 property damage and \$5,000,000 each occurrence.

C. Personal Property. Lessee understands and agrees it is Lessee's sole responsibility to obtain insurance covering Lessee's aircraft and other personal property, which is located on the Premises.

D. Fire and Extended Coverage Insurance. Throughout the term, at Lessee's sole cost and expense, Lessee shall keep or cause to be kept insured, for the mutual benefit of City and Lessee, all improvements located on or appurtenant to the Premises, whether constructed at the time of signing this Lease Agreement or not, against loss or damage by fire and such other risks as are now or hereafter included in an extended coverage endorsement in common use of structures, including vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Lessee or City from becoming a co-insurer under the provisions of the policies, but in no event shall the amount be less than one hundred percent (100%) of the actual replacement cost, excluding the cost of replacing excavations and foundations, but without deduction for depreciation (herein called full insurable value). In the event payments are made for repairs, payments of proceeds for repair, restoration, or reconstruction of improvements shall be made monthly on architect's certificates until the work is

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

E. Documentation. Lessee shall present to City a certificate evidencing the required insurance coverage, with policy provisions or endorsements naming City, and each of its officers and employees as additional insured's. All insurance required by express provisions of this Lease Agreement shall be carried only in responsible insurance companies licensed to do business in the State of California. All such policies shall be non-assessable and shall contain language, to the extent obtainable, to the effect that (1) any loss shall be payable notwithstanding any act or negligence of City that might otherwise result in failure of the insurance, (2) insurer waives the right of subrogation against City and against City's officers, employees, agents and representatives, (3) the policies are primary and non-contributing with any insurance that may be carried by City, and (4) the policies cannot be canceled or materially changed except after thirty (30) days notice by the insurer to City. Lessee shall furnish City with copies of all such policies upon their receipt.

12. Release and Indemnification.

A. Except as otherwise provided in Section 12.B., Lessee shall defend, indemnify and hold harmless City, its officer, employees and agents, from any and all liability, claims, loss, damages, or expenses, including reasonable attorney's fees and court costs, arising by reason of the death or injury of any person, including Lessee or a person who is an employee, invitee or agent of Lessee, or by reason of damage to or destruction of any property, including property owned by Lessee or any person who is an employee, invitee or agent of Lessee, caused or allegedly caused by (1) any cause whatsoever while that person or property is in or at the Airport or in any way connected with the Premises or with any improvements or personal property at the Airport, (2) some condition of the Airport or some building or improvement at the Airport, (3) some act or omission at the Airport of any person at or about the Airport with the permission and consent of Lessee or (4) any matter connected with Lessee's occupation and use of the Airport.

B. Notwithstanding the provisions of paragraph 14 of this Lease Agreement, Lessee shall be under no duty to defend, indemnify and hold harmless City, or any of its officers, employees or agents from any liability, claims or damages arising because of City's failure to make any repairs required by this Lease Agreement to be made by City or because of any grossly negligence or willful acts of misconduct by City or by any person who is an officer, agent or employee of City acting in the course and scope of his/her agency and employment.

13. Right of Entry. Lessee shall permit City's authorized agents the right and privilege at all times, of entering the Premises for the purposes of inspection, determining whether the terms of this Lease Agreement are being kept and performed, and posting notices of nonresponsibility.

14. Default or Breach. If Lessee (a) fails to pay or to cause to be paid any tax, assessment, insurance premium, lien, claim, charge, or demand herein provided to be paid or caused to be paid by Lessee at all times and in the manner herein provided or (b) defaults in the payment of any installment of rent or any other sum when due and provided or (c) fails to commence or to complete the construction, repair, restoration, or replacement of the 'Premises' and any other improvements in and about the Premises within the times and in the manners herein provided or (d) fails to use, maintain, and operate the Premises as herein required, or

abandons the Premises or (e) defaults in the performance of or breach of any other covenant, condition, or restriction of this Lease Agreement herein provided to be kept or performed by Lessee then City may give written notice to remedy such default or breach. If the default or breach is remedied within thirty (30) days following such notice, then this Lease Agreement shall continue in full force and effect. If such default or breach is not remedied within thirty (30) days following such notice, then City may, at its option, terminate this Lease Agreement, and, in addition to all of the remedies, City may re-enter and re-lease the Premises, and all improvements shall become the sole property of City. Upon termination, all subleases, at the option of City, shall terminate. Such termination shall not waive any remedy available to either party because of such default or breach. Each term and condition of this Lease Agreement shall be deemed to be both a covenant and a condition. Upon default or breach by Lessee, City may, in addition to all other remedies available in law or equity, recover all damages proximately resulting from the breach or default, including, but not limited to, the cost of recovering the Premises, reasonable attorney's fees, and the total balance of payments due under this Lease Agreement for the remainder of the Lease Agreement term, which sum shall be immediately due City from Lessee.

Appointments of a receiver to take possession of Lessee's assets, Lessee's general assignment for the benefit of creditors, Lessee's insolvency, and Lessee's taking or suffering action under the Bankruptcy Act are breaches of this Lease Agreement. Upon any such event, City shall have the option to terminate this Lease Agreement or to require Lessee provide additional security by means of a cash security deposit, advance rental payments, or such other action as City deems prudent to protect the Premises and the public fiscally.

15. Surrender of Premises. Upon expiration of the term of this Lease Agreement, all buildings, structures, facilities, improvements or alterations thereto constructed by Lessee shall become part of the land upon which they are erected, and title thereto shall, upon termination, automatically vest in City. Lessee shall leave the surrendered Premises and any other property in a well maintained manner. All improvements shall be surrendered in good and clean condition.

Notwithstanding the foregoing, all uncompleted or partially or totally destroyed improvements shall, at City's option, be removed by Lessee prior to surrender of the Premises, and the site of such improvements shall be returned to the same condition as prior to the execution of the Lease Agreement.

16. Assignment/Subletting. Neither this Lease Agreement nor any interest herein shall be assigned, either voluntarily or involuntarily, by Lessee, or by operation of law or otherwise, nor shall the Property, or any part thereof, be sublet by Lessee without the prior written consent of City. Such sublease shall be subject to such other conditions as may be imposed by City. Any such assignment or sublease without such prior written consent of City shall be void. In addition to such other conditions City may impose, Lessee shall pay to City 30% of the amount of any sublease, plus the rent per Section 4, above. City shall have the right to assign or transfer this Lease Agreement or any rights in or to it. Lessee agrees failure to maintain the required insurance, or to cause the breach of any clause in this Lease Agreement, or to fail to abide by any Airport rule or regulation, shall be deemed a material breach of this Lease Agreement.

17. Destruction of Premises. If the Premises are damaged or destroyed by fire, earthquake or other act of God or any other causes so as to render them unfit for occupancy, except as caused by Lessee, then Lessee may terminate this Lease Agreement at their option.

18. **Security.** City does not warrant the security of Lessee's property at the Airport, including, but not limited to, aircraft, fuels, tools, vehicles, related ground equipment and personal property.

19. **Sole Agreement; Amendments.** This Lease Agreement constitutes the sole and final agreement between City and Lessee respecting the lease of the Premises. No prior agreement or understanding pertaining to lease of the Premises is effective. This Lease Agreement may be modified or amended only by written mutual consent of the parties.

20. **Binding on Successors.** This Lease Agreement and each of its provisions shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, trustees, successors, and assigns of the parties.

21. **Waiver.** City's waiver of breach of any provision of this Lease Agreement shall not be treated as a continuing waiver of such provision or as a waiver of any future breach of the same or other provision of the Lease Agreement. City's acceptance of rent shall not be treated as a waiver of Lessee's previous breach of any provision of this Agreement. No custom or practice which may arise or develop between the parties in the course of the term of this Lease Agreement shall be construed to waive or diminish City's right to insist upon Lessee's performance of all terms, covenants, and conditions hereof, or to pursue any rights and remedies City may have if Lessee defaults in performance of this Lease Agreement.

22. **General.** If any term or provision of this Lease Agreement or any application thereof shall be invalid or unenforceable, then the remainder of this Lease Agreement and any other application of its terms or provisions shall not be affected thereby. The captions of this Lease Agreement are for the convenience of reference only and shall not define or limit any of the Lease Agreement's terms and provisions. The relationship created by this Lease Agreement is one of landlord-tenant. This Lease Agreement is not intended to create a joint venture or any relationship other than landlord-tenant.

Lessee's use of the Premises shall at all times fully comply with this Lease Agreement, Lompoc City Code Chapter 3, all applicable Federal, State and local laws and regulations, and all signs and lawful instructions of Airport staff. In utilizing the Premises, Lessee shall not discriminate against any person or class of persons by reason of race, color, creed, sex, religion or national origin. Lessee is subject to the provisions of Part 15 of the Federal Aviation Regulations and any amendments thereto which are incorporated herein by this reference. Lessee acknowledges that he/she have read the Lompoc Airport Ordinance and agrees to abide by all of the Airport rules and regulations.

This Lease Agreement shall not be deemed to grant the exclusive right of any Airport use forbidden by Section 308 of the Federal Aviation Act of 1958, any other federal statute or regulation, or state or local law or other directive.

23. **Attorneys' Fees:** In any action or proceeding by either party to enforce this Lease Agreement or any provision thereof, the prevailing party shall be entitled to all costs incurred and to reasonable attorneys' fees and court costs.

24. **Notices.** Any notice required by law or pursuant to this Lease Agreement shall be deemed to be fully given when written and dispatched by registered mail, return receipt requested,

postage prepaid, to the parties at the addresses below. Notices shall be deemed served on the date of postmark.

CITY OF LOMPOC

Attn: Aviation/Transportation  
100 Civic Center Plaza  
P.O. Box 8001  
Lompoc, CA 93438-8001

LESSEE

Wine Country Airlines LLC.  
3775 Constallation Rd, Suite 2  
Lompoc, CA 93436  
Attn: Patricia Kerrigan

IN WITNESS WHEREOF, the parties have executed this Lease Agreement as of the date written below.

Date: \_\_\_\_\_, 2014

CITY OF LOMPOC

By \_\_\_\_\_  
John H. Linn, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Stacey Alvarez  
City Clerk

\_\_\_\_\_  
Joseph W. Pannone,  
City Attorney

Date: 11-14, 2014

LESSEE

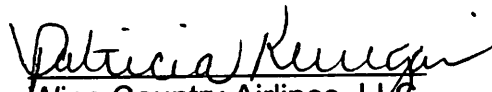
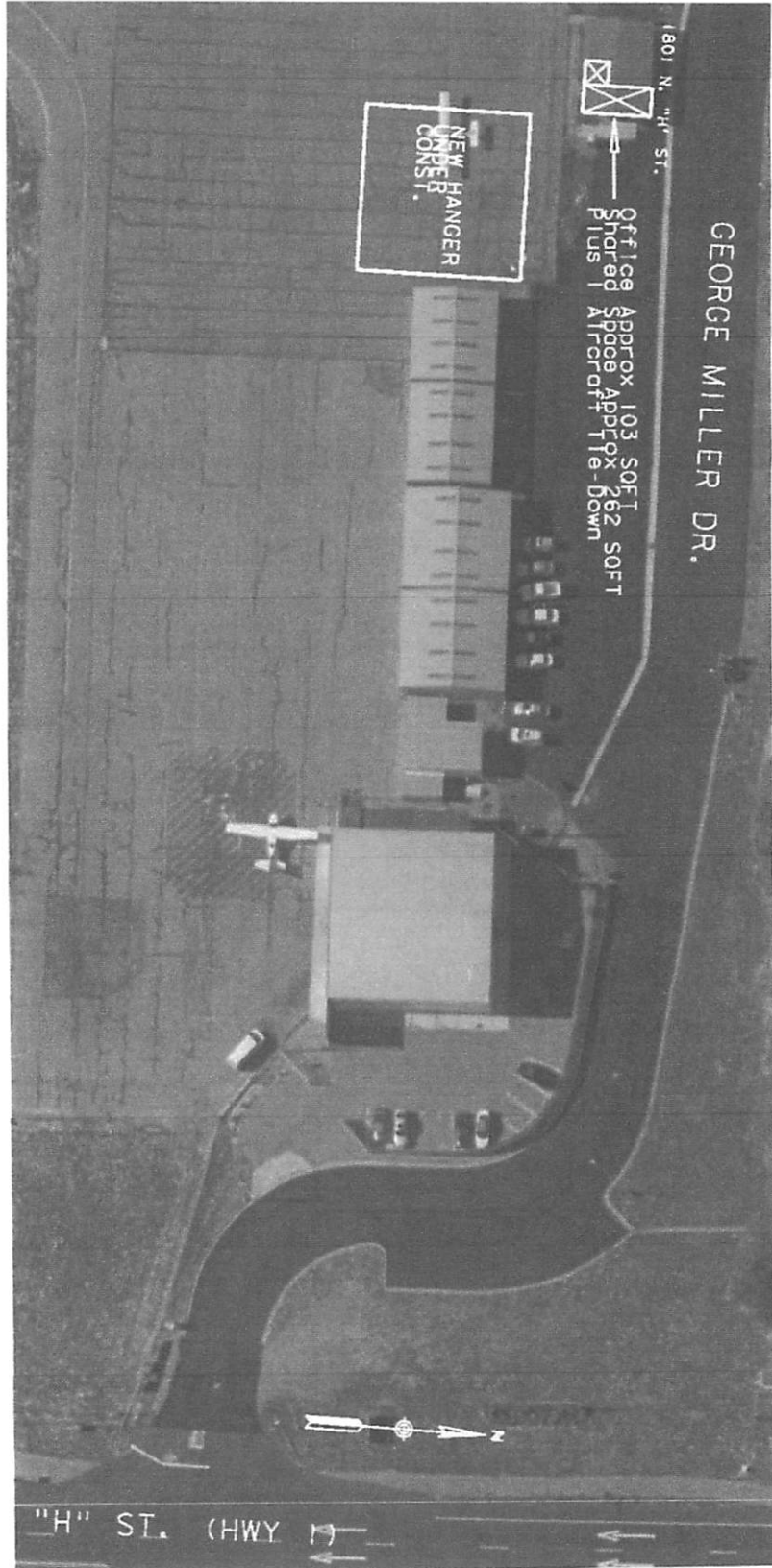
  
Wine Country Airlines, LLC  
Patricia Kerrigan, Chief Executive Officer



EXHIBIT A

PREMISES



## **EXHIBIT B**

### **Airport Terminal Improvements**

The City of Lompoc ("City") agrees to perform the following improvements:

1. Paint the interior walls and ceiling of the terminal public area and adjoining office in colors selected by Wine Country Airlines, LLC (WCA).
2. Paint the exterior trim and doors in the current color.
3. Paint the east restroom in colors selected by WCA and designate it as unisex.
4. Replace the floor tile in the east restroom. WCA will be provided a sample prior to replacement.
5. Replace the carpet in the shared terminal public area and adjoining leased office. WCA will be provided a carpet sample prior to replacement.
6. Remove all existing City furniture and decorations from the shared terminal public area and adjoining office.
7. Change the combination in the east terminal door lock. This door has the handicap accessible ramp and the South door facing the tarmac has two steps.
8. Rekey the South door and office door and provide 4 keys to WCA. Permanently secure the door between the small office WCA will lease and the Airport Administrators office.

WCA may perform the following improvements within 6 months of taking possession of the terminal. Any permits/ fees required for tenant improvements shall be the responsibility of WCA:

1. WCA may install any window and door trim to improve the appearance of the terminal. The city will provide the matching paint for the terminal if requested.
2. WCA may remove the current glass and wood and counter in the terminal office and replace it with framing and dry wall. WCA shall perform this work prior to the City's interior painting obligation.
3. WCA may paint a mural of WCA choice representative of the area on the terminal wall. Upon the termination of use the mural shall become the property of the City of Lompoc.
4. WCA may install an accordion door in the hall between the two restroom doors which WCA may close during the time WCA has passengers in the terminal.
5. WCA will provide furnishings for the terminal which shall remain the property of WCA.
6. WCA may place outside furniture and decorative items on and around the grass areas which shall remain the property of WCA.

WCA and the City of Lompoc jointly agree that:

1. Because of the age of the terminal building WCA understands that the restrooms cannot be remodeled to meet handicap standards. If WCA finds a need in the future for a handicap restroom the City will designate a location on which WCA may place a portable toilet.