

**HANGAR LAND LEASE AGREEMENT**

for

Hangar [\_\_\_\_]

at the

**SANTA YNEZ AIRPORT**

by and between

**THE SANTA YNEZ VALLEY AIRPORT AUTHORITY, INC.,  
a California Nonprofit Public Benefit Corporation,  
as AUTHORITY**

and

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as LESSEE

## **HANGAR LAND LEASE AGREEMENT**

THIS HANGAR LAND LEASE AGREEMENT, (“Lease”) dated for reference purposes only as of \_\_\_\_\_, 2022, is entered into by and between the SANTA YNEZ VALLEY AIRPORT AUTHORITY, INC., a California nonprofit public benefit corporation (“Authority”), and [\_\_\_\_\_] (“Lessee”).

### **RECITALS**

A. The County of Santa Barbara, a political subdivision of the State of California (“County”) owns that certain real property in the County of Santa Barbara, State of California, generally known as the Santa Ynez Airport. The Santa Ynez Airport is a public general aviation airport (the “Airport”).

B. County and Authority have the entered into a Lease and Management Agreement, effective December 8, 2020 (“Master Lease”), by which County, as lessor, leased the Airport to Authority, as lessee.

C. Authority desires to sublease to Lessee, the land and ground under Hangar \_\_\_\_\_ on the Airport to further the purposes of a public airport and to generate revenue, and Lessee desires to sublease such land and ground under Hangar from Authority.

NOW, THEREFORE, the parties agree as follows:

### **1. LEASE OF PREMISES; HANGAR**

#### **1.1. Lease of Premises**

Authority hereby subleases to Lessee and Lessee hereby subleases and takes from Authority, on the following terms and conditions, that certain real property in the County of Santa Barbara, State of California, commonly known as a portion of the Airport, and more particularly described as Hangar Space Number \_\_\_\_\_, measuring approximately \_\_\_\_\_ feet by \_\_\_\_\_ feet, containing \_\_\_\_\_ square feet, more or less, as shown on Exhibit "A" attached hereto and hereinafter referred to as “Premises”, together with a nonexclusive right for

ingress and egress of vehicles, aircraft and persons over such areas designated from time to time by Authority as are reasonably required to enable Lessee to utilize fully the Premises and the Airport. Notwithstanding the fact that this agreement is called a “Lease” and the fact that the sublessee hereunder is referred to as “Lessee”, the parties acknowledge and agree that this agreement constitutes a sublease with Authority as sub-lessor and Lessee as sublessee. This Lease is subject to all of the terms and conditions set forth in the Master Lease.

## **1.2. Hangar**

Until the expiration of the term or sooner termination of this Lease and except as specifically provided herein, Lessee shall own the hangar now existing upon the Premises, and all alterations, additions, or betterments made thereto by Lessee (“Hangar”). On the expiration of the term of this Lease, Section 37 shall govern the ownership of the Hangar. Upon any early or sooner termination of this Lease, including, without limitation, upon any termination pursuant to Section 19, title to the Hangar shall vest in and become the full and absolute property of Authority, without the payment of any consideration by Authority to Lessee.

## **2. TERM**

The term of this Lease shall begin on \_\_\_\_\_, 2022, and shall end at 11:59 P.M. on \_\_\_\_\_, \_\_\_\_ , unless sooner terminated in accordance with the provisions hereinafter set forth.

## **3. RENT**

### **3.1. Generally**

Lessee shall pay to Authority as annual rent for each calendar year, or any portion thereof that this Lease is in force, the sum of \_\_\_\_\_ (\$\_\_\_\_\_ ) (“Base Rent”). Lessee shall pay Base Rent and other rent or charges, as the same may be adjusted from time to time, to Authority in lawful money of the United States, in advance, without offset or deduction, on or before the day on which it is due. Base Rent shall be payable in advance in semi-annual installments due January 1<sup>st</sup> and July 1<sup>st</sup> of each year during the term hereof. Notwithstanding anything to the contrary contained herein, Base Rent due for the period

commencing with the date of this Lease and ending with the next semi-annual payment date shall be payable upon the mutual execution of this Lease and shall be prorated based on the actual number of days in said period as set forth in Paragraph 3.2 below. Base Rent and all other amounts due by Lessee hereunder shall be paid to Santa Ynez Valley Airport Authority, Inc., P.O. Box 1572, Santa Ynez, California 93460, or to such other payee or such other place as may be designated from time to time in writing by Authority.

**3.2. Proration of Rent**

Base Rent due for any period during the time hereof which is for less than one calendar year shall be prorated by application of the following formula:

$$\text{Prorated Rent Due} = \text{Base Rent} \times \text{Number of Days Rent Due} \div 365$$

**3.3. Rental Adjustment**

The Base Rent payable pursuant to Paragraph 3.1 shall be subject to further adjustment commencing on \_\_\_\_\_, 2022 and continuing on \_\_\_\_\_ of each year thereafter during the term of this Lease. Said date is hereinafter referred to as the "Adjustment Date". The adjustment shall be made as follows:

The Base Rent for the Premises shall be adjusted by the same percentage as the increase or decrease, if any, in the Consumer Price Index (All Items for All Urban Consumers 1982-84=100 Base), of the United States Department of Labor, Bureau of Labor Statistics for Los Angeles-Long Beach-Anaheim, CA (the "Index") calculated according to the following formula; provided, however, that any adjustment to Base Rent shall be limited to no more than five and one-half percent (5-1/2%) for any given year:

$$X = A \times \frac{B}{C}$$

X = Adjusted rent

A = Base Rent as of the month immediately preceding the Adjustment Date.

B = The monthly index for the third month immediately preceding the Adjustment Date.

C = The monthly index for the third month immediately preceding the month of the immediately preceding Adjustment Date

The annual Base Rent as so adjusted shall be payable for the year commencing with the Adjustment Date and continuing until the next Adjustment Date. If the Index is discontinued or revised during the term of this Lease, such other government Index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

### **3.4. Revaluation**

Effective January 1, 2026, and no more frequently than every five (5) years thereafter, Authority and Lessee hereby agree that Authority or a majority of the other hangar lessees, may request reappraisal of the Airport real property to determine its reasonable value as described in FAA 5190.6B paragraph 17.10 (or any successor provision) for the purpose of adjusting the Base Rent for the Premises, which shall become the new Base Rent (the “Adjusted Base Rent”). In adjusting the Base Rent for the Premises, the Adjusted Base Rent shall be consistent with (i) FAA 5190.6B paragraph 17.10 (or any successor provision); (ii) the Master Lease including Paragraph 8.B.(2) d. and e.; (iii) providing a rental structure in order to provide for the Airport’s financial resiliency and sustainability; and (iv) prevailing market rates as determined by all relevant factors including, without limitation, a survey of rents for premises similar to the Premises at airports within a 75-mile radius of the of the Airport.

Authority shall submit an appraised value and proposed Adjusted Base Rent to Lessee and the other hangar lessees by March 30 of the year of revaluation. Authority, Lessee and the other hangar lessees shall attempt to reach a new valuation by mutual agreement by the first day of June of the year of revaluation. If Authority and a majority of the hangar lessees are unable to do so, then Lessee may request arbitration using the Method of Appraisal set forth in Paragraph 38. If a majority of the hangar lessees fail to request arbitration within 90 days of receipt of Authority’s submission of a proposed Adjusted Base Rent in the year of revaluation, then Authority’s proposed Adjusted Base Rent shall be effective as set forth below and shall be the new Base Rent hereunder.

Any adjustment pursuant to this paragraph, including those that may go to arbitration under Paragraph 38 of this Lease, shall be due from July 1<sup>st</sup> of the year of revaluation.

In the event that the Adjusted Base Rent is not established by June 1<sup>st</sup> of the year of revaluation, the amount of the adjustment shall be paid with the adjusted semi-annual installment next due (January). In any event, the undertaking of the revaluation process shall not relieve Lessee of the obligation to pay the June 1<sup>st</sup> semi-annual installment, which shall be paid in the same amount as the prior installment.

#### **4. HANGAR ASSOCIATION**

##### **4.1. Generally**

Lessee shall be a member of an association comprised of all lessees of parcels as identified on Exhibit "B" attached hereto and made a part hereof (the "Association"), in that certain area, at the Airport as identified on Exhibit "B" attached hereto (the "Association Area"). The Association is responsible maintaining unimproved common areas between Hangars and for applying for permits and constructing, repairing, and maintaining and servicing the common improvements to be made to the Association Area, including appurtenances and common areas such as taxiways, aprons, and septic systems. The Association is responsible for obtaining and providing to the Authority certificates of insurance according to the requirements for insurance set forth herein. Insurance may be obtained by the Hangar owners or, if desired by the members, the Association may obtain group insurance coverage meeting said requirements. Association may perform such other duties as may from time to time be necessary to effect compliance with the terms of, and provide the objectives of this Lease. If grant money is available at the time of required maintenance for apron and taxiways, the Association will be responsible for the payment of the grant matching funds that are assessed for the Association's portion of the project.

##### **4.2. Failure to Maintain Association Area**

To the extent that the Association, or Lessee, fails to fulfill its common area construction, repair, maintenance and service obligations as set forth above, Authority may assume those duties and bill Lessee for a proportionate share of the cost of said assumption. Lessee's proportionate obligation shall be based on the square footage of the Premises divided by the total square footage of all of the Association Area leasable square footage. Such costs shall

be filled as a lump sum assessment on Lessee's next rental payment due. Lessee shall be notified by certified mail at the address set forth below of Authority's determination of the Association's failure to provide adequate maintenance to common areas before Authority proceeds to exercise its remedies under this paragraph of the Lease. If the Association or Lessee fails to proceed to effect the repairs or remedies identified in the Authority's notice within 30 days of receipt of said notice, then Authority may proceed to effect the necessary measures and bill Lessee as set forth above.

#### **4.3. Authority Responsibilities**

In the event that Authority acquires or constructs a hangar (or hangars) in the Association Area, Authority shall bear its proportional share of the cost of common area construction, repair, maintenance and service obligations.

#### **5. COUNTY AIRPORT CODE;**

Lessee understands that it and this Lease are subject to the provisions of Chapter 4-Airports of The Code of the County of Santa Barbara, California, herein referred to as the County Airport Code.

#### **6. COMPLIANCE WITH LAWS**

Lessee shall, at Lessee's sole cost and expense, fully, diligently and in a timely manner, comply with "Applicable Requirements", which term is used in this Lease to mean (i) all applicable zoning, municipal, county, state, and federal laws, rules, regulations, ordinances, and directives, including, without limitation, the County Airport Code (collectively, "Applicable Laws"), (ii) all rules and regulations of the Authority relating to the use of the facilities of the Airport, including, without limitation, rules and regulations relating to the use of areas specifically designated for aircraft and hangars; and (iii) any covenants, easements and restrictions of record, permits, requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Authority's engineers and/or consultants, relating in any manner to the Premises or the Hangar (including, but not limited to matters pertaining to (x) industrial hygiene, (y) environmental conditions on, in, under or about the Premises or the Hangar, including soil and groundwater conditions, and (z) the use, generation, manufacture,

production, installation, maintenance, removal, transportation, storage, spill, or release of any “Hazardous Substances” (as defined below)) now in effect which may hereafter come into effect. Lessee shall, within five (5) days after receipt of Authority’s request, provide Authority with copies of all documents and information, including but not limited to, permits, regulations, manifests, applications, reports and certifications, evidencing Lessee’s compliance with any Applicable Requirements specified by Authority and shall immediately upon receipt, notify Authority in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving failure by Lessee or the Premises or the Hangar to comply with Applicable Requirements.

**7. FAA PROVISIONS**

This Lease is subject to, and Lessee shall comply with, certain provisions required by the Federal Aviation Administration (FAA) attached hereto as Appendix I and incorporated herein by reference.

**8. CONDITION OF PREMISES**

Lessee hereby accepts the Premises and the Hangar in their “as-is” and “with all known faults” condition existing as of the date of execution hereof and subject to all Applicable Requirements.

**9. USE OF PREMISES**

**9.1. Use of Premises**

The Premises and the Hangar shall, during the term of this Lease, be used by Lessee for an aeronautical purpose, as set forth in this Paragraph 9 or as otherwise required by the FAA, and must comply with all Applicable Requirements and with all federal grant assurances, guidelines and Airport deed restrictions. Aeronautical uses and purposes for the Premises and the Hangar include:

- (a) Storage of active aircraft;
- (b) Final assembly of aircraft under construction;
- (c) Non-commercial construction of amateur-built or kit-built aircraft;

- (d) Maintenance, repair, or refurbishment of aircraft, but not the indefinite storage of nonoperational aircraft; and
- (e) Storage of aircraft handling equipment, e.g., towbars, glider tow equipment, workbenches, and tools and materials used in the servicing, maintenance, repair or outfitting of an aircraft.

Provided the Premises and Hangar are used primarily for aeronautical purposes, Authority may permit non-aeronautical items to be stored in the Hangar provided the items do not interfere with the aeronautical use of the Premises or Hangar. Authority will generally not consider items to interfere with the aeronautical use of the Premises or Hangar, subject to changes in FAA policies, unless the items:

- i. Impede the movement of the aircraft in and out of the Premises or Hangar;
- ii. Displace the aeronautical contents of the Premises or Hangar. A vehicle parked at the Premises while the vehicle owner is using the aircraft will not be considered to displace the aircraft;
- iii. Impede access to aircraft or other aeronautical contents of the Premises or Hangar;
- iv. Are used for the conduct of a non-aeronautical business or municipality agency function from the Premises or Hangar (including storage of inventory); or
- v. Are stored in violation of Airport rules and regulations, the provisions of this Lease or the Master Lease, building codes or local ordinances.

The Premises and Hangar shall be deemed to be used primarily for aeronautical purposes if the Premises and Hangar are either (1) used exclusively for aeronautical purposes or (2) used for mixed purposes otherwise permitted under this Lease, but the majority of the square footage of the Premises and Hangar are being used for aeronautical purposes; provided that the Premises, Hangar and Lessee adhere to all other restrictions and guidelines set forth in this Paragraph 9. Except as provided in this Paragraph 9.1, no other use of the Premises or Hangar is permitted without prior written consent of Authority, which consent may be withheld in Authority's sole

and absolute discretion, and may be subject to certain restrictions, conditions and/or obligations required to be performed by Lessee.

**9.2. Prohibition on Residential Use**

Neither the Premises nor the Hangar shall be used as a residence.

**9.3. Prohibition on Commercial Activity**

Neither the Premises nor the Hangar shall be used for any commercial activity except as follows: Lessee may use the Premises and Hangar to store aircraft used to support commercial activity, but only if no commercial activity aside from mere storage of the aircraft takes place at the Premises or the Hangar. Except as provided in Paragraph 9.1, no other use of the Premises or Hangar is permitted without prior written consent of Authority, which consent may be withheld in Authority's sole and absolute discretion and may be subject to certain restrictions, conditions and/or obligations required to be performed by Lessee.

**9.4. Prohibition on Electrical or Electronic Interference**

Lessee shall not make use of the Premises or Hangar in any manner which might create electrical or electronic interference with navigational signals or radio communications, impair the ability of pilots to visually distinguish the airfield, or otherwise endanger the landing, taking off, or maneuvering of aircraft. Authority reserves the right to enter upon the Premises or Hangar and abate any such hazard at the expense of Lessee.

LESSEE HAS READ AND ACKNOWLEDGES THE PROVISIONS OF THE ARTICLE 9.

\_\_\_\_\_  
Lessee's Initials

**10. AIRCRAFT UNDER CONSTRUCTION**

A non-airworthy aircraft in the process of being built, in the process of being extensively restored, or temporarily out of service in the process of becoming airworthy ("Aircraft Under Construction"), may be stored on the Premises (in the Hangar) for one year, which may be extended as described in the next sentence. Before storing any Aircraft Under

Construction, whether for one year or for any extended period beyond one year, Lessee must first obtain Authority's written consent, which may be conditioned on Lessee making progress toward airworthiness and which may be extended upon showing such progress.

## **11. HAZARDOUS SUBSTANCES**

### **11.1. Reportable Uses Require Consent**

The term "Hazardous Substance" as used in this Lease shall mean any product, substance, chemical material or waste whose presence, nature, quantity and/or intensity of existence, use, manufacture, disposal, transportation, spill, release or effect, either by itself or in combination with other materials expected to be on the Premises or the Hangar, is either: (i) potentially injurious to the public health, safety or welfare, the environment, or the Premises or the Hangar; (ii) regulated or monitored by any governmental authority; or (iii) a basis for potential liability of Authority to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but not be limited to, hydrocarbons, petroleum, gasoline, crude oil or any products or by-products thereof. Lessee shall not engage in any activity in or about the Premises or the Hangar which constitutes a "Reportable Use" (as hereinafter defined) of Hazardous Substances without (i) the express prior written consent of Authority in the Authority's sole and absolute discretion, and (ii) compliance in a timely manner (at Lessee's sole cost and expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence in, on or about the Premises or the Hangar of a Hazardous Substance with respect to which any Applicable Laws require that a notice be given to persons entering or occupying the Premises, the Hangar or neighboring properties. Notwithstanding the foregoing, Lessee may, without Authority's prior consent, but upon notice to Authority and in compliance with all Applicable Requirements, use any ordinary and customary materials reasonably required to be used by Lessee in the normal course of the permitted use of the Premises or Hangar, so long as such use is not a Reportable Use and does not expose the Premises, Hangar or neighboring properties to

any meaningful risk of contamination or damage or expose Authority to any liability therefor. In addition, Authority may (but without any obligation to do so) condition its consent to any Reportable Use of any Hazardous Substance by Lessee upon Lessee's giving Authority such additional assurances as Authority, in its reasonable discretion, deems necessary to protect itself, the public, the Premises or the Hangar and the environment against damage, contamination or injury and/or liability therefor, including, but not limited to, the installation (and, at Authority's option, removal on or before Lease expiration or earlier termination) of reasonably necessary protective modifications to the Premises or the Hangar (such as concrete encasements) and/or the deposit of an additional Security Deposit.

#### **11.2. Duty to Inform Authority**

If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises or the Hangar, other than as previously consented to by Authority, Lessee shall immediately give Authority written notice thereof, together with a copy of any statement, report, notice, registration, application, permit, business plan, license, claim, action, or proceeding given to, or received from, any governmental authority or private party concerning the presence, spill, release, discharge of, or exposure to, such Hazardous Substance including, but not limited to, all such documents as may be involved in any Reportable Use involving the Premises or the Hangar. In all events, Lessee shall afford adequate opportunity to Authority and County to intervene or otherwise assert or protect Authority's and/or County's interest with respect thereto, and prior to entering into any consent decree, settlement agreement or other compromise in connection with such action. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under or about the Premises or Hangar (including, without limitation, through the plumbing or sanitary sewer system).

#### **11.3. Indemnification**

Lessee shall indemnify, protect, defend and hold Authority, its officers, directors, members, agents, employees, lenders and ground lessor, if any, the County and the Premises, harmless from and against any and all damages, liabilities, judgments, costs, claims, liens, expenses, penalties, loss of permits and attorneys' and consultants' fees arising out of or

involving any Hazardous Substance brought onto the Premises or the Hangar by or for Lessee or by anyone under Lessee's control. Lessee's obligations under this Paragraph 11.3 shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation (including consultants' and attorneys' fees and testing), removal, remediation, restoration and/or abatement thereof, or of any contamination therein involved, and shall survive the expiration or earlier termination of this Lease. In connection with the foregoing indemnity provisions, the acts or omissions of any other party or parties, except Authority, its officers, employees, and agents, shall be strictly attributable to Lessee. No termination, cancellation or release agreement entered into by Authority and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Authority in writing at the time of such agreement.

#### **11.4. Pre-Existing Hazardous Substances**

Notwithstanding anything in this Lease to the contrary, Lessee shall have no obligations or liability in connection with Hazardous Substances located on the Premises or the Hangar prior to the earlier of (i) the commencement of the term of this Lease and (ii) Lessee's initial possession of the Premises and the Hangar.

### **12. MAINTENANCE, REPAIRS AND ALTERATIONS**

#### **12.1. Lessee's Obligations**

Lessee shall, at Lessee's sole cost and expense, keep the Premises and Hangar in good order, condition and repair, including the interior and exterior of all improvements, and all damage cause by the Lessee, and shall maintain the exterior of the Hangar to appear clean and professionally painted, and cure any appearance of weathering, subject to reasonable wear and tear. Any repainting shall be done in a color similar to and not conflicting with adjacent hangars. Lessee shall maintain, at Lessee's expense, the appurtenant apron and taxi lane as said appurtenances are shown on Exhibit "C", attached hereto and made a part hereof. Appurtenances constructed by or benefitting the lessees of the Association Area shall be maintained by said lessees. The existence of the Association shall not relieve Lessee of Lessee's responsibilities under this Lease, however the Association may undertake as a collective group to fulfill Lessee's obligations regarding common areas under this Lease.

Lessee in keeping the Premises and Hangar in reasonable order, condition and repair, shall exercise and perform good maintenance practices. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises, Hangar, and all improvements thereon or a part thereof in good order, condition and state of repair. If Lessee fails to perform Lessee's obligations under this Paragraph 12.1, Authority may enter upon the Premises and Hangar after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf and put the Premises or Hangar in good order, condition and repair.

### **12.2. Alterations**

Any alterations, additions, improvements or changes desired by the Lessee to the Premises or the Hangar ("Alterations") shall be made at the Lessee's sole cost and expense. Lessee shall not make any Alteration without Authority's prior written consent which shall not be unreasonably withheld. Any Alterations which the Lessee shall desire to make shall be presented to Authority in written form with detailed plans. All consents given by Authority shall be deemed conditioned upon (i) Lessee acquiring all applicable permits required by governmental authorities; (ii) the furnishing of copies of such permits together with a copy of the plans and specifications for the Alterations to the Authority prior to commencement of the work thereon; and (iii) the compliance by Lessee with all conditions of said permits in a prompt and expeditious manner. Any Alterations by Lessee during the term of this Lease shall be done in a good and workmanlike manner, with good and sufficient materials, and be made in compliance with all Applicable Requirements. Authority shall have the right, but not the obligation, to condition its consent to any requested Alterations that cost Ten Thousand Dollars (\$10,000) or more upon Lessee providing Authority with a lien and completion bond in an amount equal to one and one-half (1-1/2) times the estimated cost of such Alterations.

### **12.3. Lien Protection**

Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for the use on the Premises or Hangar,

which claims are or may be secured by any mechanic's or materialmen's lien against the Premises, Hangar or any interest therein. Lessee shall give Authority not less than ten (10) days prior notice to the commencement of any work in, on or about the Premises or Hangar, and Authority shall have the right to post notices of non-responsibility in or on the Premises or Hangar. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole cost and expense, defend and protect itself, Authority and the Premises and Hangar against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon for the enforcement thereof against the Authority, Premises or Hangar. If Authority shall require, Lessee shall furnish to Authority a surety bond satisfactory to Authority in an amount equal to one and one-half (1-1/2) times the amount of such contested lien claim or demand, indemnifying Authority against the liability for the same, as required by law for the holding of the Premises and Hangar free from the effect of such lien or claim. In addition, Authority may require Lessee to pay Authority's attorneys' fees and costs in participating in such action if Authority shall decide it is in its best interests to do so.

#### **12.4. Ownership, Removal, Surrender and Restoration**

##### **12.4.1. Ownership**

All Alterations made to the Premises or Hangar by Lessee shall be the property of and owned by Lessee, except as otherwise provided herein.

##### **12.4.2. Removal**

Authority may require the removal at any time of all or any part of the Alterations made without the required consent of Authority. Any Alterations not removed within sixty (60) days following the expiration of the term hereof shall, at Authority's option, become the property of Authority.

##### **12.4.3. Surrender/Restoration**

Lessee shall surrender the Premises and the Hangar by the end of the last day of the Lease term or any earlier termination date, clean and free of debris and in good operating order, condition and state of repair, ordinary wear and tear excepted, except as otherwise provided in Section 37. Ordinary wear and tear shall not include any damage or deterioration that would have been prevented by good maintenance practice or by Lessee

performing all of its obligations under this Lease. The obligation of Lessee shall include, but shall not be limited to, repair of any damage occasioned by the installation, maintenance or removal of any of Lessee's fixtures, furnishings or equipment. Additionally, Lessee shall remove from the Premises and the Hangar all of its personal property, removable equipment, and fixtures of any kind installed by Lessee and shall repair all damage caused by such removal.

### **13. ACCESS BY AUTHORITY**

Lessee agrees to permit Authority, its agents, officers, employees, and contractors, unrestricted access to the Premises and Hangar at all reasonable times, with a minimum 24-hour prior notice, for the purpose of inspection to determine compliance with the provisions of this Lease except that Authority shall have access without notice under emergency conditions.

### **14. HOLD HARMLESS, INDEMNIFICATION, INSURANCE**

#### **14.1. Indemnification**

Except for Authority's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Authority and its agents, the County, and their respective officers, directors, members, shareholders, agents, contractors and employees, from and against any and all claims, loss of rents and/or damages, costs, liens, judgments, penalties, loss of permits, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving or in connection with, the occupancy or use of the Premises or Hangar by Lessee, conduct of Lessee's business, and any act, omission or neglect of Lessee, its agents, contractors, employees or invitees, and out of any default by Lessee in the performance in a timely manner of any obligation on Lessee's part to be performed under this Lease. The foregoing shall include, but shall not be limited to, the defense or pursuit of any claim or any action or proceeding involved therein, whether or not (in the case of claims made against Authority) litigated and/or reduced to judgment. In case any action or proceeding is brought against Authority by reason of any of the foregoing matters, Lessee, upon notice from Authority, shall defend the same at Lessee's expense by counsel reasonably satisfactory to Authority and Authority shall cooperate with Lessee in such defense. Authority need not have first paid any

such claim in order to be so indemnified.

**14.2. Exemption of Authority from Liability**

Authority shall not be liable for injury or damage to the person or goods, aircraft, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers or any other person in or about the Premises or the Hangar, whether such damage or injury is caused by results from fire, steam, electricity, gas, water or rain or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures or from any other cause whether said injury or damage results from conditions arising upon the Premises or Hangar, from other sources or places, and regardless of whether the cause of such damage or injury or the means of repairing the same is accessible or not. Authority shall not be liable for any damages arising from any act or neglect of any other lessee of Authority nor from the failure by Authority to enforce the provisions of any other lease at the Airport. Notwithstanding the Authority's negligence or breach of this Lease, Authority shall under no circumstances be liable for injury to Lessee's business or for any such loss of income or profit therefrom.

**14.3. Insurance**

Lessee shall obtain and maintain in full force and effect at all times during the term of the Lease the insurance coverage set forth below at its sole cost and expense. All insurance coverage is to be placed with insurers which 1) have a Best's rating of no less than A:VIII as set forth in the most current issue of "Best's Key in Rating Guide" or "Best's Insurance Report - P/C Edition", and 2) are insurance companies admitted in the State of California. County and Authority shall have the right to review and adjust from time to time the minimum limits as established below. Authority shall notify Lessee of any proposed adjustment, no less than fourteen days prior to the meeting at which the adjustment is considered. Authority shall inform the Lessee of any approved change in the minimum limits by giving written notice to Lessee within thirty (30) days following approval of said adjustment. Failure to comply with the insurance requirements shall place Lessee in default. Upon request by Authority, Lessee shall deliver to Authority a certified copy of any insurance policy within ten (10) business days after

Authority's request.

**14.3.1. General Liability Insurance**

Lessee shall obtain and keep in force during the term of this Lease a commercial general liability policy of insurance protecting Lessee, Authority and County against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from any accident occurring on or about the Premises or Hangar caused or arising out of any act of Lessee, pursuant to this Lease. Said coverage shall include, but not limited to, the following:

- (1) Airport Liability Premises
- (2) Personal Injury Liability
- (3) Contractual Liability
- (4) Products Liability
- (5) Hangarkeepers Liability

Such general liability insurance shall provide single limit coverage applying to bodily and personal injury liability, including death resulting therefrom, property damage or a combination of these in an amount of not less than One Million Dollars (\$1,000,000).

**14.3.2. Property Insurance**

Lessee shall obtain and keep in force a policy or policies insuring loss or damage to the Premises and Hangar. The amount of such insurance shall be equal to the full replacement cost of the improvements located on the Premises including the Hangar, as the same shall exist from time to time. Such policy shall insure against all risks of direct physical loss or damage, including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises or Hangar as a result of a covered loss. Such policy shall also contain an agreed valuation provision in lieu of any co-insurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the Index (as defined in Paragraph 3.3). If such insurance coverage has a deductible clause, the deductible amount shall not exceed One Thousand Dollars (\$1,000) per occurrence, and Lessee shall be liable for such deductible amount in the event of an insured loss.

### **14.3.3. Waiver of Subrogation**

Without affecting any other rights or remedies, Lessee and Authority hereby release and relieve the other, waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such release and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable thereto. The parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Authority or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

### **14.3.4. Insurance Coverage**

The following requirements shall apply to all insurance coverage to be provided by Lessee:

(i) Authority, and its officers, directors, members, shareholders, agents and employees shall be named as “Additional Insured” on any policy.

(ii) County of Santa Barbara, its officers, agents and employees shall be named as “Additional Insured” on any general liability policy.

(iii) Any policy shall include a provision specifying that this insurance will operate as primary insurance and that no other insurance effected by Authority or County or other named insured will be called upon to contribute to a loss covered hereunder.

(iv) Lessee shall file with Authority certificate(s) of insurance covering all of the above insurance coverage. Such certificate(s) must be on file with the Authority before Lessee does any act under the Lease or takes possession of the Premises.

(v) Certificates and policies shall state that the policy shall not be canceled or reduced in coverage without thirty- (30) days’ prior written notice to Authority.

(vi) Approval of the insurance by Authority shall not relieve or decrease the extent to which Lessee may be held responsible for payment of damages resulting from its operations.

## **15. DAMAGE OR DESTRUCTION**

### **15.1. Lessee Obligation to Repair**

If, at any time during the term hereof, the Premises, Hangar and/or appurtenant improvements are partially damaged or totally destroyed from any cause, whether or not covered by the insurance required to be maintained as part of this Lease, then Lessee shall, at Lessee's expense, and with the proceeds of any available insurance policies, repair such damage expeditiously, or in the case of total destruction, restore the improvements on the Premises including the Hangar to substantially the same or better condition existing prior to such destruction, and this Lease shall continue in full force and effect. Notwithstanding the foregoing to the contrary, the Authority and Lessee may mutually agree in writing to terminate the Lease upon such terms and conditions as mutually agreed to by the Authority and Lessee.

### **15.2. No Abatement of Rent**

In case of damage or destruction, there shall be no abatement or reduction of rent except in the case of any mutual termination pursuant to Paragraph 15.1.

### **15.3. Waiver of Civil Code Section**

Lessee waives the provisions of Civil Code Section 1932(2) and Civil Code Section 1933(4) with respect to any destruction of the Premises or Hangar.

## **16. TAXES AND ASSESSMENTS**

Lessee shall pay prior to delinquency all taxes assessed against and levied upon the use or occupancy of the Premises or Hangar by Lessee, including but not limited to possessory interest taxes, together with any taxes assessed against and levied upon Lessee-owned alterations, trade fixtures, furnishings, equipment on all other personal property of Lessee contained in the Premises or Hangar. Lessee shall pay and discharge all taxes and assessments levied upon the Premises or Hangar prior to delinquency.

## **17. UTILITIES AND SERVICES**

Lessee shall pay directly for all utilities and services supplied to the Premises or Hangar, including, but not limited to, electricity, telephone, water and/or gas, together with any

taxes thereon.

## **18. ASSIGNMENT AND SUBLETTING**

### **18.1. Authority's Consent Required**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or otherwise transfer or encumber (collectively, an "Assignment") or sublet, except as permitted pursuant to paragraph (c) below, all or any part of Lessee's interest in this Lease or in the Premises or the Hangar without Authority's prior written consent, which consent shall not be unreasonably withheld.

(b) A change in the control of Lessee shall constitute an Assignment requiring Authority's consent. The transfer, on a cumulative basis of twenty-five percent (25%) or more of the voting control of Lessee, shall constitute a change in control for this purpose.

(c) Notwithstanding anything to the contrary contained herein, Lessee may sublet all or a portion of the Premises or the Hangar for the sole purpose of storing active aircraft(s) without Authority's prior written consent. Any sublease shall be subject to the terms and conditions hereof.

### **18.2. Terms and Conditions Applicable to Assignment and Subletting**

(a) Regardless of Authority's consent, any Assignment or sublease shall not (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder nor (iii) alter the primary liability of Lessee for the payment of Base Rent and other sums due Authority hereunder or for the performance of any other obligations to be performed by Lessee under this Lease.

(b) Authority may accept any rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an Assignment. Neither a delay in the approval or disapproval of such Assignment nor the acceptance of any rent for performance shall constitute a waiver or estoppel of Authority's right to exercise its remedies for the default by Lessee of any of the terms, covenants or conditions of

this Lease.

(c) The consent of Authority to any Assignment or subletting shall not constitute a consent to any subsequent assignment or subletting by Lessee or to any subsequent or successive Assignment or subletting by the assignee or sublessee. However, Authority may consent to subsequent assignments or subletting of a sublease or any amendments or modifications thereto without notifying Lessee or anyone else liable under this Lease or the sublease and without obtaining their consent and such action shall not release such persons from liability under this Lease or the sublease.

(d) In the event of any default of Lessee's obligations under this Lease, Authority may proceed directly against Lessee, or anyone else responsible for the performance of Lessee's obligations under this Lease, including any sublessee, without exhausting Authority's remedies against any other person or entity responsible therefore to Authority, or any security held by Authority.

(e) Each request for consent to an Assignment or subletting, where required, shall be in writing, accompanied by information relevant to Authority's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee. Lessee agrees to provide Authority with such other or additional information and/or documentation as may be reasonably requested by Authority.

(f) Except as permitted pursuant to Subparagraph 18.1 (c), an Assignment or subletting without the consent of Authority shall, at Authority's option, determined in its sole and absolute discretion, be a default curable after notice pursuant to Subparagraph 19.1 (c), or a non-curable default without the necessity of any notice and grace period. If Authority elects to treat such unapproved Assignment or subletting as a non-curable default, Authority may terminate the Lease.

## **19. DEFAULTS; BREACH; REMEDIES**

### **19.1. Default; Breach**

A “Default” by Lessee is defined as a failure by Lessee to observe, comply with or perform any of the terms, covenants, conditions or rules applicable to Lessee under this Lease. A “Breach” by Lessee is defined as the occurrence of any one or more of the following Defaults, and where a grace period for cure after notice is specified herein, the failure by Lessee to cure such Default prior to the expiration of the applicable grace period and shall entitle Authority to pursue the remedies set forth in Paragraph 19.2 below:

(a) The vacating of the Premises or Hangar with or without the intention to reoccupy the same, or the abandonment of the Premises or Hangar.

(b) Failure by Lessee to make any payment of Base Rent or any other monetary payment required to be made by Lessee hereunder as and when due, failure by Lessee to provide Authority with reasonable evidence of insurance required under this Lease, or the failure of Lessee to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of ten (10) days following written notice thereof by Authority to Lessee.

(c) A default by Lessee as to the terms, covenants, conditions or provisions of this Lease other than described in Subparagraphs (a) and (b) above, where such Default continues for a period of thirty (30) days after written notice thereof by or on behalf of Authority to Lessee; provided, however, that if the nature of Lessee’s Default is such that more than 15 days are reasonably required for its cure, then it shall not be deemed to be a Breach of this Lease by Lessee if Lessee commences such cure within said 15 day period and thereafter diligently prosecutes such cure to completion.

(d) The occurrence of the following events: (i) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee’s becoming a “debtor”, as defined in 11 U.S. Code Section 101, or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the

appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or Hangar or Lessee's interest in this Lease, where possession is not restored to the Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or Hangar or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this Subparagraph 19.1(d) is contrary to any applicable law, such provision shall be of no force or effect, and shall not affect the validity of any of the remaining provisions. So long as there is more than one entity or person collectively comprising Lessee, the occurrence of any of the foregoing to any joint Lessee shall constitute a default.

## **19.2. Remedies**

(a) If Lessee fails to perform any affirmative duty or obligation of Lessee under this Lease, within ten (10) days after written notice to Lessee (or in the case of an emergency, without notice), Authority may at its option (but without obligation to do so) perform such duty or obligation on Lessee's behalf, including, but not limited to, the obtaining of reasonably required bonds, insurance policies, governmental licenses, permits or approvals. The costs and expenses of any such performance by Authority shall be due and payable by Lessee to Authority upon invoice therefore. If any check given to Authority by Lessee shall not be honored by the bank upon which it is drawn, Authority, at its own option, may require all future payments to be made under this Lease by Lessee to be made only by cashier's check.

(b) In the event of a Breach of this Lease by Lessee, with or without further notice or demand and without limiting Authority in the exercise of any right or remedy which Authority may have by reason of such Breach, Authority may:

(i) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease and the term hereof shall terminate, and Lessee shall immediately surrender possession of the Premises and Hangar to Authority. In such event, Authority shall be entitled to recover from Lessee (i) the worth at the time of the award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the

time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Authority for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Premises and Hangar, expenses of reletting, including necessary renovation and alteration of the Premises or Hangar, reasonable attorneys' fees, and that portion of any leasing commission paid by Authority in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco or the Federal Reserve Bank District in which the Premises are located at the time of award plus one percent (1%). Efforts by Authority to mitigate damages caused by Lessee's Default or Breach of this Lease shall not waive Authority's right to recover damages under this Paragraph 19.2. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Authority shall have the right to recover in such proceeding the unpaid rent and damages as are recoverable therein, or Authority may reserve the right to recover all or any part thereof in a separate suit for such rent and/or damages. If a notice and grace period required under Paragraph 19.1 was not previously given, a notice to pay rent or quit, or to perform or quit, as the case may be, given to Lessee under any statute authorizing the forfeiture of leases for unlawful detainer shall also constitute the applicable notice for grace period purposes required by Paragraph 19.1. In such case, the applicable grace period under the unlawful detainer statute shall run concurrently after the one such statutory notice, and the failure of Lessee to cure the Default within the greater of the two (2) such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Authority to the remedies provided for in this Lease and/or by said statute.

(ii) Continue the Lease and Lessee's right to possession under California Civil Code Section 1951.4 after Lessee's Breach and recover the rent as it becomes

due, provided Lessee has the right to sublet or assign, subject only to reasonable limitations. Authority and Lessee agree that the limitations on assignment and subletting in this lease are reasonable. Acts of maintenance or preservation, efforts to re-let the Premises, or the appointment of a receiver to protect the Authority's interest under this Lease, shall not constitute a termination of the Lessee's right of possession.

(iii) Pursue any other remedy now or hereafter available to Authority under the laws or judicial decisions of the state wherein the Premises are located.

(iv) The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

(v) Upon any termination of the Lease pursuant to this Section 19, title to the Hangar shall vest in and become the full and absolute property of Authority, without the payment of any consideration by Authority to Lessee, and Lessee shall have no further ownership interest in the Hangar.

## **20. CONDEMNATION**

If the Premises or any portion thereof or the Hangar are taken under the power of eminent domain or sold under the threat of the exercise of said power (all of which are herein called "Condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of the floor area of the Hangar is taken by condemnation, Lessee may, at Lessee's option to be exercised in writing within ten (10) days after the condemning authority shall have taken possession, terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent shall be reduced in the proportion that the floor area taken bears to the total floor area of the Hangar. Lessee shall not be entitled to any award for the taking of all or any part of the Premises under the power of eminent domain, or any payment made under threat of the exercise of such power;

provided, however, Lessee shall be entitled to any compensation separately awarded to Lessee for Lessee's relocation expenses and/or loss of Lessee's trade fixtures or improvements constructed by Lessee, including the Hangar.

**21. LATE CHARGES**

Lessee hereby acknowledges that late payment by Lessee to Authority of rent and other sums due hereunder will cause Authority to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges that may be imposed upon Authority by the terms of the Master Lease. Accordingly, if any installment of rent or other sum due from Lessee shall not be received by Authority within ten (10) days after such amount shall be due, then without any requirement for notice to Lessee, Lessee shall pay to Authority a late charge equal to ten percent (10%) of such overdue amount. The parties hereby agree that such a late charge represents a fair and reasonable estimate of the cost Authority will incur by reason of late payment by Lessee. Acceptance of such a late charge by Authority shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Authority from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of the Base Rent, then notwithstanding Article 3 or any other provision of this Lease to the contrary, the Base Rent shall at Authority's option, become due and payable quarterly in advance.

**22. INTEREST ON PAST DUE OBLIGATIONS**

Any monetary payment due Authority hereunder, other than late charges, not received by Authority within ten (10) days following the date on which it was due, shall bear interest at the rate of ten percent (10%) per annum from the date due until paid, but not exceeding the maximum rate allowed by law, in addition to the late charges provided for in Article 20 above.

**23. SEVERABILITY**

The invalidity of any provision of this Lease as determined by a final judgment of a

court of competent jurisdiction shall in no way affect the validity of any other provision thereof.

**24. TIME OF ESSENCE**

Time is of the essence hereunder.

**25. CAPTIONS**

Article and paragraph captions are not a part hereof, but are for convenience only.

**26. EFFECT ON PRIOR AGREEMENTS, AMENDMENTS**

This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties hereto.

**27. NOTICES**

Except where otherwise specifically provided, all notices under this Lease and in connection herewith and all statements shall be addressed and delivered as follows:

Authority:

Santa Ynez Valley Airport Authority, Inc.

P.O. Box 1572

Santa Ynez, CA, 93460

Telephone: \_\_\_\_\_

Email \_\_\_\_\_

Lessee:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Email \_\_\_\_\_

or at such other address as the respective party may designate in writing. All notices permitted or required to be given to a party under this Lease shall be in writing, shall be personally delivered, transmitted by facsimile, or by e-mail, sent by professional overnight courier or mailed by certified registered mail, return receipt requested, postage prepaid to the party for whom intended, the address given above, or at such other address, notice of which is given by a party in

the manner provided herein. Notices shall be considered sufficiently given under this Lease upon actual receipt, if hand delivered, or sent by facsimile (electronic confirmation of receipt by the receiving telecopier) or sent by pdf e-mail; next day if sent by professional overnight courier service; or three (3) days after mailing with postage prepaid. If notice is received on a Saturday or a Sunday or legal holiday, it shall be deemed received on the next business day.

**28. RENT DEFINED**

All monetary obligations of Lessee to Authority under the terms of this Lease are defined as rent.

**29. WAIVERS**

No waiver by Authority of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Authority's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Authority's consent to, or approval of, any subsequent act by Lessee. The acceptance of rent hereunder by Authority shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Authority's knowledge of such preceding breach at the time of acceptance of such rent.

**30. HOLDING OVER**

Lessee shall have no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then Base Rent shall be increased to one hundred ten percent (110%) of the Base Rent applicable and immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Authority to any holding over by Lessee.

**31. CUMULATIVE REMEDIES**

No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

**32. COVENANTS AND CONDITIONS**

Each provision of this Lease performable by Lessee shall be deemed both a

covenant and a condition.

**33. BINDING EFFECT, CHOICE OF LAW**

Subject to any provisions hereof restricting assignment or subletting by Lessee, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State of California.

**34. AUTHORITY OF LESSEE**

If Lessee is a corporation, each individual executing this Lease on behalf of Lessee hereby covenants and warrants that Lessee is a duly authorized and existing corporation, the Lessee has and is qualified to do business in California, that the corporation has full right and authority to enter into this Lease and that each person signing on behalf of the corporation is authorized to do so. If Lessee is a partnership, limited liability company or trust, each individual executing this Lease on behalf of Lessee hereby covenants and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Lessee in accordance with the terms of such entity's partnership, operating or trust agreement. Lessee shall provide Authority on demand with such evidence of such authority as Authority shall reasonably request, including without limitation, resolutions or certificates.

**35. TERMINATION; MERGER**

Unless specifically stated otherwise in writing by Authority, voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Authority for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, Authority shall, in the event of any such surrender, termination or cancellation, have the option to continue any one or all of any existing subtenancies. Authority's failure within ten (10) days following any such event to make a written election to the contrary by written notice to the holder of any such lesser estate, shall constitute Authority's election to have such event constitute the termination of such interest.

**36. MULTIPLE PARTIES**

Except as otherwise expressly provided herein, if more than one person or entity is named herein as Lessee, the obligations of such multiple parties shall be the joint and several

responsibility of all persons or entities named herein as Lessee.

**37. LESSEE'S FIRST RIGHT TO NEW LEASE OF PREMISES**

Provided that Lessee is not then in default in the performance of any of its obligations under this Lease (beyond any applicable cure period), it is the intent of the Authority to offer the Lessee the opportunity to continue to Lease the Premises under the terms of the Authority's then current form of lease which it uses with new lessees for premises similar to the Premises (the "New Lease") and which shall provide that the Lessee continues to own the Hangar until the expiration of the term or the sooner termination of the New Lease. Accordingly, the Lessee shall have a right of first negotiation with Authority for a New Lease for the Premises under the following terms:

(a) Lessee must give written notice of its desire to enter into a New Lease of the Premises (a "Negotiation Notice") to Authority and Authority must receive the same at least 6 months but not more than 12 months prior to the expiration of the term of the Lease, time being of the essence. If proper notification is not given and/or received, such right of negotiation shall cease.

(b) Upon receipt of a timely Negotiation Notice, Authority shall provide to the Lessee the New Lease and the Lessee may elect to enter into the New Lease by signing and returning the New Lease to the Authority not later than sixty (60) days prior to the expiration of the term.

(c) Upon the Lessee's failure to execute a New Lease not later than sixty (60) days prior to the expiration of the term, Authority may proceed to lease the Premises at any time, and to any third party, on any terms and conditions free and clear of any rights of Lessee pursuant to this Section.

(d) If this Lease or Lessee's right to possession of all or any portion of the Premises shall terminate in any manner whatsoever during the term of the Lease, then immediately upon such termination, the first negotiation right contained herein shall simultaneously terminate and become null and void and of no force or effect whatsoever.

(e) For the avoidance of doubt, Authority shall have no obligation to negotiate a New Lease if Lessee is in default in the performance of any of its obligations under this Lease (beyond any applicable cure period).

(f) In the event that Lessee fails to enter into a New Lease, Lessee shall have the right, but not the obligation, at Lessee's sole cost and expense, to remove the Hangar and all other improvements on the Premises prior to the expiration of the term of the Lease and Lessee shall restore the Premises to Authority in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps.

(g) If, Lessee has not removed the Hangar and improvements prior to the expiration of the term, Authority shall take ownership of the Hangar and improvements and title shall vest in and become the full and absolute property of Authority, without the payment of any consideration by Authority to the Lessee.

### **38. METHOD OF APPRAISAL**

If Authority and a majority of the hangar lessees are unable to agree on the Adjusted Base Rent as provided in Paragraph 3.4, then the following procedures will be followed:

#### **38.1. ESTABLISHMENT OF THE VALUATION PANEL**

If a majority of the hangar lessees request arbitration, the request will be sent by registered letter to Authority. Within ten (10) days of the postmark of the request letter, both parties shall appoint an appraiser. The two appointed appraisers so selected shall, within ten (10) days after their appointment, appoint a third appraiser; provided, however, that if one party fails to appoint an appraiser, the single appraiser appointed by the other party shall be deemed to be the mutually appointed appraiser for both the parties and shall serve alone. If the two appraisers cannot agree on a third appraiser within the period of ten (10) days, the third appraiser shall be appointed by the President of the Southern California Chapter of the Appraisal Institute on the application of either party and on ten (10) days' notice to the other party. An appraiser appointed by either of the parties who dies, resigns, is disqualified or incapacitated, or who fails or refuses to act shall within ten (10) days be replaced with another appraiser by the party that selected the displaced appraiser.

**38.2. QUALIFICATION OF VALUATION PANEL MEMBERS**

The three appraisers designated under this paragraph shall function as impartial members of a valuation panel of experts (herein “Panel”) on the valuation of real estate, rather than advocates of the position of, or consultants to, Authority or Lessee. Each shall meet the following minimum qualifications:

- (1) Qualify as an expert in the valuation of similar properties.
- (2) Be a professionally designated and currently certified Member of the Appraisal Institute, or successor/new designation of equal or superior stature.
- (3) Be an independent person, not currently an employee, agent, or business associate of Authority or Lessee. This provision shall not preclude the use of independent appraisers under contract to the parties for unrelated projects that do not pose a conflict of interest.

**38.3. PROCEDURES AND FUNCTIONS OF THE PANEL**

(1) The arbitration shall be conducted in accordance with the then-prevailing Real Estate Industry Arbitration Rules of the American Arbitration Association, except as set forth herein.

(2) Omitted.

(3) The Panel will consider only those appraisal practices, approaches, methods, and techniques that are relevant and conform to the then-recognized Standards of Practices and Code of Ethics of the Appraisal Institute or successor organization.

(4) The decision of the panel shall be conclusive and binding on the parties hereto and be enforceable with the same force and effect as a decree of a court having competent jurisdiction and shall establish the Adjusted Base Rent . The decision of the Panel shall be reached as follows:

- (a) By a majority vote of the three members of the Panel,

- (b) By an average of the opinions of the Adjusted Base Rent of the three members, if an agreement between at least two members cannot be reached within the time periods specified herein; or
- (c) By the single member of the Panel in the event that either party fails to appoint a member as herein provided.

(5) The Panel shall within ten (10) days of its establishment commence a hearing and continue such hearing on successive days or at time intervals as determined by the Panel. At such hearing, the Authority and any hangar lessee who is a party to the appraisal shall each have the right to submit evidence, oral and/or written, in support of their respective opinions of the Adjusted Base Rent . The Panel shall consider all information deemed relevant by it.

(6) Within ten (10) business days after conclusion of the hearing, the Panel shall mail to the Authority and Lessee a preliminary written report of its findings and decisions. Authority or Lessee may, within ten (10) business days of the date of mailing by the Panel, submit a written response to the preliminary report. Within ten (10) business days following the deadline for receipt of responses by parties to the preliminary report, the Panel shall prepare and mail to Authority and Lessee a final written report of its findings and decisions, including a summary of salient facts, opinions and observations considered by the Panel and findings and conclusions reached by the Panel.

(7) Upon conclusion of the proceedings, the panel's Adjusted Base Rent determination shall be submitted to the Board of Directors of the Authority for adoption by resolution, and within 15 days of said adoption, Authority shall notify Lessee of Lessee's new Base Rent. This rate shall be binding upon all members of the hangar rows. Lessee hereby agrees that, once the panel has reached a determination and the Authority sets the new rate, then that rate shall determine the new Base Rent, and Lessee waives Lessee's right to further arbitration of this matter until the next revaluation period.

**38.4. COSTS**

The costs of the arbitration process shall be born one half by Authority and one half by all hangar lessees , each in proportion to the square footage of their hangar divided by the sum of square footage of all hangar area leased. Those appraisers selected to conduct the process shall send their bills to Authority, which shall calculate the total amount due, pay the appraisers, and bill the Lessee. Payment by Lessee shall be due within 30 days of billing or upon the next rental installment, whichever shall come first.

**39. ATTORNEYS' FEES**

In the event that any legal action instituted by either of the parties hereto to enforce or construe any of the provisions, conditions or covenants of this Lease, or the validity thereof, the party prevailing in any such action shall be entitled to recover from the other party all court costs and reasonable attorneys' fees to be set by the court and the costs and fees incurred in enforcing any judgment entered. Attorneys' fees and costs whenever mentioned in this Lease shall include those incurred with respect to arbitration proceedings, if any, sought, as the case may be, whether by compromise, settlement, judgment or the abandonment by the other party of its claim or defense.

**40. LEASE SUBJECT TO UNITED STATES GOVERNMENT.**

This lease and all the 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 the Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

**41. TERMINATION OF EXISTING LEASE.**

To the extent Authority and Lessee are parties to an existing lease for the Premises (the "Existing Lease"), then effective as of the date this Lease is mutually signed by the Authority and Lessee, the Existing Lease shall be deemed terminated and neither party shall have any further rights or obligations thereunder, except that Lessee shall continue to be obligated under the Existing Lease for (i) any unpaid payment obligations including rent and (ii) any indemnity obligations thereunder.

*[Signatures appear on following page]*

IN WITNESS WHEREOF, Authority and Lessee have executed this Agreement.

"Authority"

Date: \_\_\_\_\_, 2022

SANTA YNEZ VALLEY AIRPORT AUTHORITY,  
INC., a California nonprofit public benefit  
corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

"Lessee"

Date: \_\_\_\_\_, 2022

\_\_\_\_\_

**APPENDIX I TO  
HANGAR LAND LEASE AGREEMENT**

1. The Lessee, for itself, its heirs, personal representatives, successors in interest, and assigns, as 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 said property described in this Lease for a purpose for which a United States Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 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 the Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.

2. Lessee, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land that: (1) No person on the grounds of age, race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) That in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of age, race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) That the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, 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 1964, and as said Regulations may be amended.

3. That in the event of breach of any of the above nondiscrimination covenants, Authority shall have the right to terminate the Lease and to reenter and repossess said land and the facilities thereon, and hold the same as if said Lease has 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.

**APPENDIX I**

4. Lessee shall furnish its accommodations and/or 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 each unit or service; provided, that the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

5. Noncompliance with Provision 4 above shall constitute a material breach thereof and in the event of such noncompliance the Authority shall have the right to terminate this Lease and the estate hereby created without liability therefor or at the election of the County or the United States either or both said Governments shall have the right to judicially enforce Provisions.

6. Lessee agrees that it shall insert the above five provisions in any Lease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein.

7. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of age, race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effort.

8. The Authority reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.

9. Authority reserves the right but not the obligation to maintain and keep in repair the landing area of the Airport and all publicly owned facilities of the Airport, together with the right to direct and control all activities of the Lessee in this regard. No rental will be due under

## **APPENDIX I**

the terms of this Lease during any period in which Authority closes the Airport in excess of sixty (60) consecutive days or it is no longer useable as an Airport.

10. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the Authority, the County and the United States, relative to the development, operation or maintenance of the Airport.

11. Authority, and the County hereby reserves to itself, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation of flight through said airspace or landing at, taking off from or operating on the Santa Ynez Airport.

12. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

13. The Lessee, by entering into this contract, expressly agrees for itself, its successors and assigns that it will not erect or permit the erection of any structure or object, or permit the growth of any tree on the Premises in violation of Federal height regulations. In the event the aforesaid covenants are breached, Authority reserves the right to enter upon the Premises and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of the Lessee.

14. The Lessee, by entering into this contract agrees for itself, its successors and assigns that it will not make use of the Premises or Hangar in any manner which might interfere with the landing and taking off of aircraft from Santa Ynez Airport, or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the Authority reserves the right to enter upon the Premises or Hangar and cause the abatement of such interference at the expense of the Lessee.

15. It is understood and agreed that nothing herein contained shall be construed to

## **APPENDIX I**

grant or authorize the granting of an exclusive right within the meaning of Section 40103(e) of U.S. Code Title 49 (49 U.S.C. 40103(e)).

**EXHIBIT A**

**Site Map of Premises**

**EXHIBIT B**

HANGAR ASSOCIATION

[Exhibit to depict Hangar Associations for the particular Tenant as follows: Hangar Row D, Hangar Row G, Hangar Row E/F, Hangar Row J, or Hangar A-13 included with Port-a-port hangars 1,2, and 3].

Lessee is a member of Hangar Row \_\_\_\_\_ Association.

**EXHIBIT C**

APPURTENANT APRON AND TAXILANE TO BE MAINTAINED BY LESSEE



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**EXHIBIT C**