

**SPECIAL MEETING OF THE
MONTEREY PENINSULA AIRPORT DISTRICT
BOARD OF DIRECTORS
AGENDA**

January 13, 2023 – 9:00 AM

**Monterey Regional Airport
200 Fred Kane Drive, Suite 200**

NOTICE REGARDING A RETURN TO IN-PERSON PUBLIC PARTICIPATION AT MONTEREY PENINSULA AIRPORT DISTRICT BOARD MEETINGS

Due to the expiration of certain directives contained in the Governor's Declaration of Emergency for the State of California (Executive Order N-29-20), the Board of Directors of the Monterey Peninsula Airport District will return to hold meetings at the Airport Board Room, with in-person attendance.

Due to recent increase in the transmission of the Omicron variant of the Coronavirus, and, as a result of the directives issued by the State of California and the Monterey County Public Health Officer intended to prevent the transmission of the coronavirus, the Airport may utilize the procedures outlined in AB361 to utilize alternative measures related to the conduct of remote meetings and remote comments by members of the public.

Should the Board implement the measures outlined in AB 361, members of the public may participate in the Board meeting via Zoom video conference. Please visit www.zoom.us/join and enter the following Meeting ID: **819 0256 5346**. If you do not have access to the internet, you may also participate telephonically by calling (253) 215-8782 and entering the same Meeting ID. Members of the public who wish to provide comment on an item on the agenda may do so during the meeting prior to the item being considered by the Board, as outlined below.

REMOTE PUBLIC COMMENTS

To make a public comment, the following options are available:

1. Before the Meeting via Email: Written comments can be emailed to info@montereyairport.com. Include the following subject line: "Public Comment Item # (insert the agenda item number relevant to your comment)." Written comments should be received by 8:00 AM on the day of the meeting. All submitted comments will be provided to the Board for consideration and will be compiled as part of the record.
2. During the Meeting via Oral Comments: When the Chair calls for public comment, attendees can queue to speak with the "Raise Hand" feature. On the Zoom application, click the "Raise Hand" button. On the phone, press *9. The Secretary to the Board will call speaker names and unmute speaker microphones. You will have up to 3 minutes to provide your oral comments, pursuant to Board policy.

Public comments may also be made in person. Members of the public may attend the Board Meeting in person and request to speak to the Board when the Chair calls for public comment.

A. CALL TO ORDER/ROLL CALL

B. PLEDGE OF ALLEGIANCE

C. COMMUNICATIONS/ANNOUNCEMENTS/INFORMATIONAL ITEMS

D. REGULAR AGENDA - ACTION ITEMS

- Adopt 1. [Resolution No. 1836, A Resolution Authorizing and Approving the 2023 Consolidated Master Lease and the Commercial Real Property Purchase Agreement Between Monterey Fuel Company, LLC And Monterey Peninsula Airport District](#)
- Adopt 2. [Resolution No. 1837, A Resolution Authorizing the Submittal of an Application and Execution of an Agreement with the California Department of Transportation](#)

E. ADJOURNMENT

AGENDA DEADLINE

This is the final Agenda that has been posted on the bulletin board outside of the District Offices in the Terminal Building at the Monterey Regional Airport no less than 24 hours prior to the special meeting.

TO: Monterey Peninsula Airport District Board of Directors
FROM: Michael La Pier, Executive Director
Scott E. Huber, District Counsel
SUBJ: Resolution No. 1836, A Resolution Authorizing and Approving the 2023 Consolidated Master Lease and the Commercial Real Property Purchase Agreement Between Monterey Fuel Company, LLC and Monterey Peninsula Airport District (“MPAD”)

BACKGROUND. The Airport District currently has a lease with Monterey Fuel Partners, LLC (“MFC”) which originated with Del Monte Aviation, L.P.. The Original Master Lease provided for the lease of certain real property located at the Monterey Regional Airport. The term of the Original Master Lease was fifty years from its Commencement Date of November 1, 1994.

As a result of the requirement to relocate various assets in anticipation of a future terminal project, some of the property leased to Monterey Fuel Partners will need to be reclaimed by MPAD and alternate property is proposed to be granted.

STAFF ANALYSIS. The Monterey Peninsula Airport District Master Plan and Safety Enhancement Plan (SEP) requires that MPAD increase the separation of the runway and taxiway. There are several projects that must be completed before that occurs, including relocation and eventual demolition of the Southeast Hangars, situated on the Eastside Leasehold Area currently leased to MFC.

As proposed in the 2003 Consolidated Master Lease being considered, MFC agrees to surrender its ownership interest in all of the vertical real and personal property located on the Eastside Leasehold Area, as well as the leasehold interest itself for the ground. In addition, MFC agrees to waive any right or interest in the “Rental Car QTA” which was surrendered in June 2008 for a term of 30 years.

As consideration and compensation for the surrender of the various rights, MPAD shall pay MFC the amount of \$3,000,000. In addition, alternate property will be leased to MFC on the north side of the runway for MFC to construct new T-Hangars, a 100’ x 100’ corporate hangar and a new self-service fuel facility. The new facilities will be constructed at MFC’s expense.

In addition to the 2023 Consolidated Master Lease, the Board will consider approval of a Commercial Real Property Purchase Agreement between MPAD and MFC. MFC will construct new hangars on the Northside Leasehold Area property. To take advantage of the economy of scale, MFC will construct the T-Hangar replacements that it currently has on the Eastside Leasehold Area that it is going to surrender to MPAD, as well as the box hangars that are slated for the Northside Leasehold Area. MPAD will purchase the box hangars and a 100’ x 100’ hangar to be built on the Northside Leasehold Area from MFC. In addition, the purchase agreement contains, as an exhibit, a management agreement between the parties for MFC to manage the

tenancy of the hangars owned by MPAD. The fee for management would be \$2,500 per month or a maximum of \$30,000 per year.

The Board will consider approval of Resolution No. 1836, a resolution authorizing and approving the 2023 Consolidated Master Lease and the Commercial Real Property Purchase Agreement Between Monterey Fuel Company, LLC and Monterey Peninsula Airport District.

FISCAL IMPACT. The fiscal impact of this Resolution is as follows:

1. Impact on MPAD Unrestricted Cash Reserves:
 - a. FY 2024: The cash consideration to MFC under the 2023 Consolidated Master Lease will reduce the MPAD unrestricted cash reserves by \$3,000,000, concurrent with the Close of Escrow on the North Side Hangars, which is anticipated to be on or before October 31, 2023.
 - b. The cash portion of the consideration to MFC of the \$7,040,958 Purchase Price under the Commercial Real Property Agreement will reduce the MPAD unrestricted cash reserves by \$3,300,000 in FY 2023 (\$1.3M of funds previously drawn under the CARES Act and \$2.0M of additional reserves).
 - c. Progress payments towards the \$7,040,958 Purchase Price under the Commercial Real Property Agreements will total \$3,911,643 in FY 2023 and \$3,129,315 in FY 2024.
2. Impact on MPAD FBO Rental Income:
 - a. The Monthly Rent under the proposed 2023 Consolidated Master Lease will be reduced by \$5,744 a month (based on an overall reduced MFC ground lease area, partially offset by a \$2,000 credit for the 2008 surrender of the .92 acres used for the QTAF).
3. Impact on MPAD Hangar Rental Income:
 - a. FY 2024: The current total Monthly Rent for the 25 Southeast MPAD owned hangars is \$9,625 per month. The anticipated Monthly Rent for the 24 Box Hangars to be constructed on the North Side will be \$18,000 per month and the anticipated Monthly Rent for the 100' x 100' Corporate Hangar will be \$12,500 per month.
 - b. FY 2024: MPAD's monthly Hangar Rental Income will be reduced by the MFC Management Fee of 15%, not to exceed \$2,500 per month.
4. Impact on MPAD Interest Expense:
 - a. Our first draw on the Cal Trans Loan will be on June 1, 2023; the FY 2023 impact will be additional interest expense of approximately \$2,592 and the impact of the balance of the draws in Fiscal 2024 will be additional interest expense of approximately \$282,187.
5. The cost to demolish the Southeast Hangars will be included in the 2023-03 SEP Phase B2 Commercial Apron Construction AIP Grant, with MPAD contributing approximately 10% towards the cost of this project.

RECOMMENDATION. Approve Resolution No. 1836, A Resolution Authorizing and Approving the 2023 Consolidated Master Lease and the Commercial Real Property Purchase Agreement Between Monterey Fuel Company, LLC and Monterey Peninsula Airport District.

ATTACHMENTS.

Resolution No. 1836
2023 Consolidated and Master Lease with Monterey Fuel Partners, LLC
Commercial Real Property Purchase Agreement

RESOLUTION NO. 1836

**A RESOLUTION AUTHORIZING AND APPROVING THE 2023
CONSOLIDATED MASTER LEASE AND THE COMMERCIAL REAL
PROPERTY PURCHASE AGREEMENT BETWEEN MONTEREY FUEL
COMPANY, LLC AND MONTEREY PENINSULA AIRPORT DISTRICT**

WHEREAS, the Monterey Peninsula Airport District (“District”) currently has a lease with Monterey Fuel Partners, LLC (“MFC”) which originated with Del Monte Aviation, L.P. for the operation of Fixed Base Operator services and the rental of hangars, among other things; and

WHEREAS, the Master Plan and Safety Enhancement Plan (SEP) requires that MPAD increase the separation of the runway and taxiway, which will require the relocation of various assets, including some of the property leased to Monterey Fuel Partners which will need to be reclaimed by MPAD; and

WHEREAS, MPAD offers alternate property to MFC in exchange for the property MFC surrenders to MPAD; and

WHEREAS, MFC will construct new hangars and facilities on the alternate property offered by MPAD on the northside of the airport.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
MONTEREY PENINSULA AIRPORT DISTRICT:**

1. The Chair of the Board of Directors is hereby authorized and directed to execute the 2023 Consolidated Master Lease between the Monterey Peninsula Airport District and the Monterey Fuel Company, LLC. A copy is attached hereto as Exhibit “A”; and
2. The Chair of the Board of Directors is hereby authorized and directed to execute the Commercial Real Property Purchase Agreement between the Monterey Peninsula Airport District and the Monterey Fuel Company, LLC. A copy is attached hereto as Exhibit “B”.

**ADOPTED BY THE BOARD OF DIRECTORS OF THE MONTEREY PENINSULA
AIRPORT DISTRICT:** This 13th day of January, 2023 by the following roll call vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSTAIN:	DIRECTORS:
ABSENT:	DIRECTORS:

Signed this 13th day of January, 2023

Carl Miller, Chair

ATTEST

Michael La Pier, AAE
District Secretary

MONTEREY FUEL COMPANY, LLC 2023 CONSOLIDATED MASTER
LEASE

This 2023 Consolidated Master Lease (“2023 Master Lease”) is made on January 13, 2023 (“Effective Date”), by and between the Monterey Peninsula Airport District, a special district of the State of California (“Lessor”), and Monterey Fuel Company, LLC, a California limited liability company (“Lessee”) with reference to the following facts and objectives:

- A. On July 1, 1998, Lessor and Lessee’s predecessor in interest, Del Monte Aviation, L.P., a California limited partnership, entered into a lease agreement whereby two separate leases by and between the MPAD and Del Monte Aviation, L.P., both effective November 1, 1994, were consolidated into a single lease (the “Original Master Lease”). The term of the Original Master Lease was fifty years from November 1, 1994.
- B. On November 1, 2012, the parties entered a consolidated lease agreement that replaced the Original Master Lease (“Consolidated Master Lease”). This consolidated and restated master lease combined: 1) the terms of the previous amendments to the Original Master Lease; 2) combined the described property into a single leasehold area; and 3) granted Lessee an option to extend Lessee’s lease for an additional 18 years.
- C. On June 22, 2015, the Monterey Peninsula Airport District consented to a Lease Assignment and Assumption Agreement between Del Monte Aviation, LLC as assignor and Monterey Fuel Company, LLC as assignee (“Assignment”). This Assignment transferred all Del Monte Aviation, LLC’s right, title and interest in the Consolidated Master Lease to Monterey Fuel Company, LLC.
- D. Under this 2023 consolidated and restated master lease (“2023 Master Lease”), Lessee and Lessor desire to amend the terms as outlined herein to provide for the takeback of portions of the existing leasehold area by MPAD, the addition of new property to the leased premises, and to allow for certain construction related activities.

NOW, THEREFORE, Lessor and Lessee (collectively, the “Parties”) agree to all of the terms, covenants, and conditions set forth in this consolidated and restated Master Lease:

ARTICLE 1

LEASED PREMISES AND TERM

1.1 Leased Premises. Lessor is the owner of certain real property located at the Monterey Peninsula Airport (“Airport”), which is hereby leased to Lessee and is more particularly described in Exhibit “A” attached hereto and collectively referred to as the

Leased Premises. (“Leased Premises”). The Leased Premises is comprised of real property on the west side of the airport in the corporate aviation area (“West Side Leasehold Area”), and on the north side of the airport in the general aviation area, which is more particularly described in Exhibit “B” (“North Side Leasehold Area”). The East Side Leasehold Area shall no longer be part of the Leased Premises as described herein.

1.2 West Side Leasehold Area. Approximately 11.718 acres, including buildings, aircraft parking ramps, taxi lanes, vehicle parking and outside storage for equipment, which includes .1056 acres (4600 square feet) obtained by Lessee through the Fifth Amendment to the Original Master Lease, more particularly described herein in Exhibit “A”.

- i. Terminal. A Lessee owned general aviation terminal comprising approximately 8500 square feet;
- ii. Storage Hangar. A Lessee owned storage hangar comprising approximately 21,840 square feet, which is attached to Lessee’s Terminal.

1.3 North Side Leasehold Area. Approximately 3.74 acres in the newly developed general aviation area.

- i. Hangar Space. Lessee’s portion of the developed general aviation area on the north side of the airport providing sufficient space for Lessee to construct 28 new t-hangars, one large box hangar, a self-service fueling tank and pump, and ramp area comparable in size to the Surrendered Premises, to service the hangars, which shall be constructed at Lessee’s sole expense, as outlined in Exhibit “B”;

1.4 East Side Leasehold Area. Surrender Under Threat of Condemnation. Pursuant to Lessor’s efforts to construct facilities described in the 2019 Monterey Regional Airport Master Plan, Lessor has required, and Lessee shall surrender, under threat of condemnation by Lessor, the East Side Leasehold Area, which consists of approximately 8.39 acres, including buildings, t-hangars, structures and paved areas consisting of aircraft parking ramp, taxi lanes, vehicle parking and outside storage for equipment, and other improvements described hereafter, which includes the non-exclusive use storage ramp and adjacent undeveloped property comprising approximately 1.15 acres obtained by Lessee through the First Amendment to the Original Master Lease and more particularly described in Exhibit “C” (“Surrendered Premises”).

- i. Large Hangar. A pascoe type hangar comprising approximately 12,500 sq. ft., including space for aircraft storage, maintenance, shop and office use, and additional loft area for office and storage.

- ii. Terminal and Shop Space. Said property includes approximately 2,088 sq. ft. of office space and approximately 1,500 sq. ft. of shop space.
- iii. Hangars. Lessee constructed 30 T-Hangars.

Lessee shall surrender the East Side Leasehold Area to Lessor on such date that MPAD issues certificates of occupancy for all the structures to be constructed by Lessee on the North Side Leasehold and described herein above in 1.3.

Lessee shall surrender all its ownership interest in all the vertical real located on the East Side Leasehold Area, as well as the leasehold interest itself for the ground. Lessee shall be responsible for termination of any rentals or leases with third parties in or on any portion of the East Side Leasehold Area. Following surrender, Lessor shall not conduct, nor allow to be conducted by any other party, any aeronautical use of the surrendered property.

1.5 Term. The term of the Original Master Lease was fifty (50) years, commencing on November 1, 1994 and expiring on October 31, 2044 (“Original Term”). The term of this Monterey Fuel Company, LLC 2023 Master Lease shall be equal to the remaining Original Term plus ten years to expire on October 31, 2054 (“New Term”). In addition, the Option Term contemplated by the Consolidated Master Lease remains in effect, as described below in Section 1.9.

1.6 Rental Car QTA Premises. In June 2008, Lessee surrendered .92 acres (“Rental Car QTA”) to Lessor for the construction and operation of a Quick Turnaround Facility (“QTAF”) by rental car companies renting vehicles to the public at the Monterey Peninsula Airport for a period of thirty years. The QTAF is used for staging, storing, parking, and washing vehicles for use by rental car companies at the Monterey Peninsula Airport. The surrender term began on June 1, 2008 and was to continue until June 30, 2038. Pursuant to this 2023 Master Lease, Lessee hereby permanently surrenders to Lessor all its right, title, and/or interest in the Rental Car QTA and QTAF. All prior or existing obligations between the Parties related to the Rental Car QTA shall cease and shall be of no further force and effect.

1.7 Option and Right of First Refusal to Ramp Frontage Property. Lessee shall have an option and right of first refusal (“RFR”) to lease the ramp frontage area located on the northwest corner of the Airport, which is more fully described on Exhibit “B”. This RFR shall exist through January 31, 2028 and can only be exercised in writing by Lessee if Lessor obtains a valid tenant for that property. In the event that the RFR is exercised by Lessee, a new, market-based lease agreement will be negotiated by the parties at that time.

1.8 Collaboration Regarding Airport Terminal Repurposing. If, at some later date to be determined at MPAD’s sole and absolute discretion, MPAD determines that the existing Airport Terminal shall no longer be used for its current purpose as a terminal for facilitating

the processing of air traffic under Part 121 of the Federal Aviation Regulations; Lessor and Lessee agree to jointly collaborate and use their best efforts to repurpose the terminal for aeronautical activity such as the operation of an entry port for the United States Department of Interior under a Customs and Border Protection User Fee Agreement between Lessee and Customs, a public terminal for eVTOL aircraft, or some other mutually agreeable aeronautical purposes. All final decisions related to any potential reuse or repurpose of the existing Airport Terminal shall be in the sole and absolute discretion of MPAD

1.9 Option Term. Lessee has the option to extend the New Term on all the provisions contained in this Lease for a period of eighteen (18) years (the "Option Term") following expiration of the New Term. In the event Lessee desires to exercise its Option under this Lease, Lessee must provide Lessor with written notice at least six (6) months, but not more than one year before the expiration of the New Term ("Option Notice").

- i. Option Term Rent. The monthly rent for the Option Term will be "Fair Market Rent" for similar premises, properties and uses in the State of California, at that time, taking into consideration Lessee's Leasehold Improvements and using other airport markets, which are similar in population, aircraft traffic numbers, accessibility, and resort-like focus. Fair Market Rent will be determined as follows:

Lessee and Lessor must initially attempt to negotiate and agree to a Fair Market Rent. In the event they cannot agree on a Fair Market Rent, then, within thirty (30) days of Lessee's Option Notice, either party may invoke Fair Market Rent Arbitration according to the following procedure:

The party invoking Fair Market Rent Arbitration must provide written notice to the other party of its decision to invoke Fair Market Rent Arbitration. Then, Lessor and Lessee will each appoint an appraiser who must be a commercial real estate broker practicing in the general vicinity of the Leased Premises who has not less than five (5) years' experience with leasing properties comparable to the Leased Premises and/or the Buildings. Such appointment must be made within twenty (20) days after either Landlord or Tenant gives written notice to the other of its intention to appoint an appraiser. Thereafter, the appointed appraisers must appoint a third appraiser, with qualifications similar to the other two, and such three appraisers will, by majority vote, determine, as promptly as possible, the Fair Market Rent for the Leased Premises, for the first year of the Option Term. Thereafter, during the subsequent option years, the gross monthly rent will be adjusted annually as provided in Paragraph 2.32 below.

ARTICLE 2 RENT, FEES, AND CHARGES

2.1 Consideration for Transaction and Payment for Surrender of Property. As partial consideration for the parties to enter into the 2023 Master Lease, including compensation

for the surrender of the various rights, title and interest in the properties outlined herein, Lessor shall pay to Lessee the amount of \$3,000,000, payable upon close of escrow on the purchase of hangars, which agreement is approved concurrently with this 2023 Master Lease.

2.2 Monthly Rent. Lessee shall pay Lessor at the office of Lessor without reduction, abatement, deduction, offset or any prior demand therefor in advance on the first day of each calendar month of the term hereof and subject to adjustment and reduction as provided in Paragraph 2.3, rent in the sum of \$25,713.54.

2.3 Annual Rent Adjustment. The monthly rent set forth above, shall be adjusted on July 1, 2024 and on each July 1 thereafter (“Adjustment Date”) during the term of this Lease as follows: The base for computing the adjustment is the Consumer Price Index for All Urban Consumers, San Francisco - Oakland - San Jose Metropolitan Area published by the United States Department of Labor, Bureau of Labor Statistics (“Index”) which is published for the month of April (“Beginning Index”). The monthly rent for each year beginning on an Adjustment Date shall be set by multiplying the monthly rent set forth above by a fraction, the numerator of which is the April Index published in the same year as the year of the Adjustment Date and the denominator of which is the Beginning Index. In no case shall the monthly rent be less than the monthly rent established for the preceding year. In no case shall the monthly rent be more than seven percent (7%) above the preceding year. For years in which there is a decrease in or in which the increase in the Index is more than seven percent (7%), the amount of the decrease or the amount above seven percent (7%) shall be carried forward and applied for rent adjustments in subsequent years. If the Index is changed so that the base year differs from that used as of the date immediately preceding the Commencement Date the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term hereof such other governmental 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.

2.4 Fuel Flowage Fees. If Lessee engages in any fuel sales or fueling operations at the Airport, Lessor shall be entitled to collect, and Lessee agrees to pay as additional rent a fuel flowage fee for each gallon of fuel dispensed by Lessee into aircraft at the Monterey Peninsula Airport. The fuel flowage fee will be the amount set by the Lessor in the published Rates and Charges Resolution promulgated by Lessor from time to time and such fee may be adjusted at any time by an ordinance or resolution of Lessor of general applicability to fuel sales and fueling operations at the Airport. A fuel flowage fee shall be paid for all fuel dispensed, except that fuel dispensed to airlines that hold leases with Lessor or operate pursuant to agreements with Lessor to provide scheduled air service shall be exempt from the fuel flowage fee, unless this exemption is deleted or modified by a resolution or an ordinance of Lessor of general applicability to fuel sales and fueling operations at the Airport. Lessee must submit a report to Lessor no later than the tenth (10th) of the month regarding fuel sales for the previous calendar month and Lessee must submit payment of such fuel flowage fees no later than the twentieth (20th) of the month,

unless such tenth or twentieth of the month falls on a holiday or weekend day. In that case, such report or payment, as the case may be, will be due and payable on the next available business day following such holiday or weekend day. The fuel flowage report must provide the total number of gallons of all fuel dispensed into aircraft including fuel dispensed into aircraft that are exempt from fuel flowage fees.

2.5 Utilities. Lessee shall pay as additional rent all charges for all electricity, gas, water, sewer, trash disposal and other utilities services, which may be used or consumed on or for the Leased Premises. Lessee shall have the right at its sole cost and expense to provide additional utility service to the Leased Premises or upgrade existing utilities as may reasonably be required by Lessee subject to Lessor's prior written approval of plans and specifications therefor, which approval shall not unreasonably be withheld. All water rights for the North Side Leasehold shall be held by Lessor, and Lessee shall have no rights to extract or use water except as specifically provided for in writing by Lessor. For the remainder of Lessee's Term and Option Term, Lessee shall be entitled to receive a credit equal to \$105.00 per month to accommodate for the cost of operating a Closed-Circuit Television Monitor ("CCTV") on Lessee's main terminal building. Such equipment is under the control and ownership of Lessor and Lessee is not responsible for maintaining such equipment. Any damage caused by such equipment will be responsibility of the Lessor.

2.6 General Aviation Landing Fees. Lessee shall collect general aviation landing fees that may be established by Lessor in accordance with the Landing Fee Collection Procedure. Such fee amounts will be set and updated by Lessor and provided to Lessee. Lessee shall maintain a daily record of the aircraft registration number (tail number), gross landing weight and the landing fee collected from each aircraft subject to Lessor's landing fees. Lessee is required to remit eighty-five percent (85%) of such Landing Fees to Lessor and Lessee is entitled to retain fifteen percent (15%) of such Landing Fees to compensate Lessee for the administrative expense of collecting such Landing Fees.

2.7 Place of Payment. All rent, utility fees, and other charges due or payable under this Lease shall be delivered to the following address: ATTN: Administration, Monterey Peninsula Airport District, 200 Fred Kane Drive, Suite #200, Monterey, California, 93940, or such other address as District may from time to time direct in writing.

2.8 Late Payments and Charges. If Lessee shall fail to pay rent or other charges on or before the tenth (10th) day after the same are due and payable such unpaid amount shall bear interest from the due date to the date of payment at the rate of one percent (1%) per month up to the maximum rate allowed by applicable usury law. Lessee acknowledges that late payment by Lessee to Lessor of rent or other charges will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which are extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, late charges, which may be imposed on Lessor and additional property management expenses. Therefore, if any installment of rent or other charges due from Lessee is not received by Lessor prior to 5:00 p.m. on the 20th day of the month when due, Lessee shall pay to Lessor as a late charge an additional sum of five (5%) of the amount of

rent or other charges which are due but unpaid. The Parties agree that this late charge represents a fair and reasonable estimate of the costs that Lessor will incur by reason of late payment by Lessee. Acceptance of any late charge shall not constitute a waiver of Lessee's default with respect to the overdue amount, or prevent Lessor from exercising any of the other rights and remedies available to Lessor.

2.9 Security Deposit. Lessee shall deposit with Lessor, or provide a surety bond, certificate of deposit or a letter of credit meeting the reasonable satisfaction of Lessor, as security for the faithful performance of the terms, covenants and conditions of this Lease, in a sum equivalent to two (2) months' rent. In the future, and upon adjustment of rent, Lessee shall increase the amount of the security deposit so as to maintain at all times a sum on deposit equivalent to two (2) months then current rent. If Lessee is in default, Lessor can use the security deposit provided or any portion of it, to cure the default or to compensate Lessor for any damages or loss sustained by Lessor resulting from Lessee's default. Lessee shall immediately on demand pay to Lessor a sum equal to the portion of the security deposit expended or applied by Lessor as provided in this paragraph so as to maintain the security deposit in the amount required by this section. Upon final accounting by Lessor, any balance shall be refunded to Lessee without interest.

2.10 Audit. For the purpose of ascertaining the amount payable as fuel flowage fees and landing fees, Lessee shall keep or cause to be kept full, complete and proper books, records and accounts. The records for each calendar year required herein shall be kept for at least three (3) years after the expiration of such calendar year. Lessor or the authorized representatives of Lessor shall have the right to examine Lessee's records at all reasonable times. At its option, Lessor may cause from time to time throughout the term of this Lease on seventy-two (72) hours prior written notice to Lessee a complete audit to be made of Lessee's entire business affairs and records relating to Lessee's fuel flowage fees, landing fees and to the Leased Premises for the period covered by any statement submitted by Lessee as required by this Lease provided, however, that no such audit shall be made at a time which is more than three (3) years following the end of the period covered by such statement. If the books of account and records of Lessee are kept at some location other than the Leased Premises, Lessee agrees at Lessee's expense to transport said books and records to the Leased Premises for such audit. Except as provided below, Lessor shall pay the cost of such audit. The audit shall be performed by a certified public accountant selected by Lessor and shall be binding upon the parties. If it shall be determined as a result of such audit that there has been a deficiency in the payment of fuel flowage fees or landing fees, then such deficiency shall become immediately due and payable with interest at the maximum rate allowed by applicable usury law, or if there is no such rate at eighteen percent (18%) per annum from the date when the payment should have been made. If the deficiency is in excess of two and one half percent (2.5%) of the fuel flowage fees or car rental fees theretofore computed and paid by Lessee for the period covered by the audit, Lessee shall also immediately pay Lessor the cost of the audit in addition to the fuel flowage fees or landing fees. If such audit discloses that actual fuel flowage fees or car rental fees exceeded those reported by Lessee by six and one half percent (6.5%) or more, Lessor may terminate this Lease upon thirty (30) days written notice to Lessee.

ARTICLE 3
USE AND CONDITION OF LEASED PREMISES

3.1 Authorized Use. Lessee is authorized to use the Premises for activities attendant to a FBO business. A Fixed Base Operator is the primary provider of services to general aviation aircraft and operators located at or adjacent to the Airport. Any services and/or activities Lessee is providing as of the date of this Consolidated Master Lease are considered Authorized Uses.

3.2 Required Services. Lessee agrees to provide the following services, unless Lessee can demonstrate or otherwise establish to the reasonable satisfaction of Lessor that the provision of the service is not financially feasible, and the Lessee receives written approval from the Lessor to delete the service from the required services list. Required services may be provided from the Premises or other premises occupied by Lessee at the Airport.

- i. Aircraft line services including sales of petroleum and petroleum products.
- ii. Storage of aircraft including hangarage and tiedown.
- iii. Aircraft airframe maintenance.
- iv. Aircraft engine maintenance including overhaul and engine replacement.
- v. Aircraft charter.
- vi. Sale of pilot supplies and materials.

3.3 Optional Services. Lessee is authorized to but need not provide the following services:

- i. Avionics repair including aircraft radios and instruments.
- ii. Aircraft painting.
- iii. New and used aircraft sales and sales of aircraft parts and accessories.
- iv. Aircraft interior upholstery repair/replacement.
- v. Car rental to aviation clientele of Lessee.
- vi. Air carrier support and related services.
- vii. Flight instruction and ground school; however, Lessee must use its best efforts to provide flight instruction and ground school training when such instruction and ground school training becomes economically viable and feasible.
- viii. Aircraft Rental.
- ix. Other uses attendant to the business of a full service FBO, subject to consent in writing by Lessor, which consent shall not be unreasonably withheld.

3.4 Non-Aviation Uses. Non-aviation related uses and uses not attendant to the business of a full service FBO are not authorized without approval in writing of Lessor. Such approval shall be at the full discretion of Lessor. Such non-aviation uses that may be authorized by Lessor shall be subject to fees/charges that may be set by Lessor.

3.5 Staffing. Lessee shall provide sufficient staffing for the performance of the required services set forth in section 3.2 during hours necessary to adequately meet public demand.

3.6 Subtenant Operators. Services set forth in section 3.3 may be provided by a sublessee(s) upon written consent from Lessor, which consent shall not be unreasonably withheld. Lessee shall be fully responsible for all activities of any sublessee as it relates to compliance with this Lease and Lessee shall be fully responsible for all rents and fees due Lessor from any sublessee whether collected by Lessee or not.

3.7 Vehicular Access. Lessee shall allow access for on-airport refuelers and other passenger vehicles across the vehicle parking area within the Leased Premises. Lessee shall not impede reasonable access to other leaseholds or properties on the Airport.

3.8 Overnight Occupancy. Sleeping within or overnight occupancy of the Premises is prohibited except within such pilot/crew rest areas as may be designated for such purposes within the terminal building located on the Westside Leasehold Area on plans approved by Lessor or in other areas approved of by Lessor which approval shall not unreasonably be withheld.

3.9 Common Areas. Lessor grants to Lessee, its employees, officers, patrons and guests jointly and in common with others entitled to the use thereof, a nonexclusive license to use the roadways and other common areas of the Airport, including the use of the landing area and the right of aircraft ingress and egress between the Leased Premises and the landing area. Lessor hereby reserves the right to modify, reduce, increase and change in any manner the size or nature of common areas and may close any such areas to accomplish any such changes. Reasonable care shall be taken by Lessor to ensure that such changes shall not unduly impede or interfere with the use of the Premises.

3.10 As Is. Lessee agrees and has agreed to accept the Leased Premises in an “as is” condition. Lessee acknowledges that it had inspected the Premises as thoroughly as Lessee desires. Lessee agrees that Lessor has made no warranties or representations of any kind respecting the condition of the Leased Premises or the condition of any of the buildings, structures, improvements or utilities located thereon. Lessee agrees to accept the Leased Premises subject to the tenancies, if any, of those persons holding entitlement to hangar, tiedown and office spaces as of the Commencement Date of the Original Master Lease.

3.11 Compliance with Rules and Regulations. Lessee shall, at its sole cost and expense, at all times during the term of this Lease or any renewal or extension thereof comply with and observe all rules, regulations, ordinances and laws which have been or may be promulgated by Lessor relating to the Leased Premises and the use of the facilities of the Airport including all fire regulations, safety regulations, noise control regulations and security regulations as specified in Ordinances 230, 242, 266, 295, 308, 309, 310, and 623. Such rules and regulations are hereby made a part of this Lease and Lessee's failure to keep and observe the rules and regulations shall constitute a breach of the terms of this Lease in like manner as if the same were contained herein as covenants and conditions. Lessor shall

provide Lessee copies of all applicable rules, regulations, and covenants. Lessor reserves the right to amend or supplement the rules and regulations and to adopt additional rules and regulations applicable to the Premises, to Lessee's use of the Leased Premises, and the use of the facilities of the Airport. Lessor shall have no obligation to Lessee as a result of the violation of any such rules by any other person. Lessee shall at all times obey the statutes, codes, ordinances, laws and regulations of the United States of America, the State of California, the County of Monterey and any other governmental entity having jurisdiction as the same may from time to time be amended during the term of this Lease.

ARTICLE 4 WASTE AND HAZARDOUS SUBSTANCES

4.1 Waste, Quiet Conduct. Lessee shall not commit or suffer to be committed any waste upon the Leased Premises or any public or private nuisance. Lessee's method of lighting the Leased Premises and its installation of all exterior light fixtures shall be subject to Lessor's prior approval, which shall not unreasonably be withheld. Lessee shall provide as necessary a separate drainage, collection and/or separation system to ensure that no untreated liquid waste from any type of operation, including aircraft-cleaning and oil change operations will enter the Airport storm drainage or sanitary system. Lessee shall at all times comply with all applicable laws, ordinances, rules and regulations of federal, state or local governmental agencies, including, but not limited to, Lessor, County of Monterey Department of Health, and California Regional Water Quality Control Board. Lessee shall not permit any activity which directly or indirectly produces unlawful amounts or levels of air pollution (gases, particulate matter, odor, fumes, smoke, or dust), water pollution, noise, glare, heat emissions, electronic or radio interference with navigational or communication facilities for the operation of the Airport or for its use by aircraft, trash or refuse accumulation, vibration, prop-wash, or jet blast, or which is hazardous or dangerous by reason or risk of explosion, fire or harmful emission. Any waste oil storage tanks shall be installed and maintained in accordance with all applicable environmental and fire protection regulations.

4.2 Hazardous Substances. The provisions of this section, which govern Lessee's obligations with regard to hazardous substances, as defined below, shall survive termination of this Lease.

4.3 Definition of Hazardous Substance. For purposes of this Lease, "Hazardous Substances" is defined to mean any substance, material or waste, including asbestos and petroleum (including crude oil or any fraction thereof), which is or becomes designated, classified or regulated as being "toxic", "hazardous", a "pollutant", or similar designation under any federal, state or local law, regulation or ordinance.

4.4 Indemnity Regarding Hazardous Substances. Lessee agrees to indemnify, defend and hold Lessor harmless from and against all liabilities, claims, actions, damages, costs and expenses or loss arising out of or resulting from the presence of any Hazardous Substances as a result of the activities of Lessee, or any subtenant of Lessee, in or around any part of the Leased Premises or the soil, groundwater or soil vapor on or under the

Leased Premises, including those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any of the Parties or to any natural resources. Upon demand by Lessor, Lessee shall defend any investigation, action or proceeding alleging the presence of any Hazardous Substances in any such location, which affects the Leased Premises or which is brought or commenced against Lessor, whether alone or together with Lessee or any other person, all at Lessee's own cost and by counsel to be approved by Lessor in the exercise of Lessor's reasonable judgment. In the alternative, Lessor may elect to conduct its own defense at the expense of Lessee.

4.5 Compliance Regarding Hazardous Substances. Lessee has complied and shall comply and cause all occupants of the Leased Premises to comply with all laws, regulations, and ordinances governing or applicable to Hazardous Substances. Lessee acknowledges that Hazardous Substances may permanently and materially impair the value and use of the Leased Premises.

4.6 Notice Regarding Hazardous Substances. Lessee shall promptly notify Lessor if it knows, suspects or believes, there may be any Hazardous Substances in or around the Premises, or in the soil, groundwater or soil vapor on or under the Premises, or that Lessee or the Premises may be subject to any threatened or pending investigation by any governmental agency under any law, regulation or ordinance pertaining to any Hazardous Substances.

4.7 Site Visits, Observations, and Testing. Lessor and its agents and representatives shall have the right at any reasonable time to enter and visit the Leased Premises for the purposes of observing the Leased Premises, taking and removing soil or groundwater samples, and conducting tests on any part of the Leased Premises. Lessor is under no duty, however, to visit or observe the Premises or to conduct tests. No site visit, observation or testing by Lessor shall result in a waiver of any default of Lessee or impose any liability on Lessor. In no event shall any site visit, observation or testing by Lessor be a representation that Hazardous Substances are or are not present in, on or under the Premises, or that there has been compliance with any law, regulation or ordinance pertaining to Hazardous Substances or any other applicable governmental law. Neither Lessee nor any other party is entitled to rely on any site visit, observation or testing by Lessor. Lessor shall be obligated to disclose to Lessee or any other party any report or finding made as a result of, or in connection with, any site visit, observation or testing by Lessor. In each instance, Lessor shall give Lessee reasonable notice before entering the Leased Premises or any other place Lessor is permitted to enter under this section. Lessor shall make reasonable efforts to avoid interfering with Lessee's use of the Premises or any other property in exercising any right provided in this section.

ARTICLE 5 SAFETY AND SECURITY

5.1 Security. Lessee shall provide security within the Leased Premises. Lessee shall provide, through the use of buildings, structures, walls, fences, and similar barriers, or a

combination thereof, positive, uninterrupted on-site security, at all times for the prevention of unauthorized pedestrian and vehicular access to the aircraft operating area by way of the Leased Premises. Direct or indirect points of entry to the aircraft operating area to accommodate authorized individuals and authorized vehicles shall be controlled by Lessee in compliance with FAA and Lessor security requirements. An electronic drive-through gate will be required. Lessee shall also provide security for on-site facilities. Adequate lighting shall provide for all-night illumination of the perimeter of all buildings, aprons, aircraft tiedown areas, vehicular parking lots and pedestrian walkways. If the Airport is fined for a breach of security as a result of Lessee's negligence, acts, or omissions, Lessee shall reimburse Lessor for said fine immediately upon demand. Proof of negligence is not required if the FAA determines that the breach of security occurred on the Leased Premises.

5.2 Business Response Plan. Lessee must prepare and maintain to the reasonable satisfaction of the Airport Fire Marshal, a "Business Response Plan" in accordance with section 25500 et. seq. of the California Health and Safety Code. Said plan must be kept current and on file in the Airport Fire Marshal's office. If Lessee sublets all or any of the Premises, Lessee must inform its sub-tenants of these requirements.

5.3 Fueling Operations. If fueling operations are conducted, the following requirements apply:

- i. Compliance with Laws. Lessee shall obey all Lessor's and Monterey County rules, regulations, orders, and ordinances including, but not limited to fire, safety, health regulations now existing or hereafter amended. Lessee shall further obey all rules and regulations of all public agencies having jurisdiction over the Lessee or the Airport including, but not limited to, the Federal Aviation Administration, County of Monterey Department of Health, California Regional Water Quality Control Board, Monterey Regional Water Pollution Control Agency, and Monterey Bay Unified Air Pollution Control District.
- ii. Training and Safety. Lessee is required to provide training for employees in the proper handling of fuel, including, but not limited to, (a) proper testing of fuel for contamination, (b) proper grounding procedures, (c) proper handling of different types of nozzles in use, (d) safety and emergency shut-down procedures, and (e) fire response. Upon demand by the Airport Manager a formal or more extensive training and safety program may be required. No aircraft may be fueled in any hangar under any circumstances. If the Airport Manager determines that a safety problem or hazard exists, the Airport Manager may take any action he deems reasonably necessary to correct the hazard including, but not limited to, prohibiting fueling until the hazard is corrected at Lessee's expense.

ARTICLE 6
MAINTENANCE, ALTERATION, AND IMPROVEMENT OF PREMISES

6.1. Capital Improvements and Renovations. Lessee shall have the option to construct capital improvements and/or renovations on the Leased Premises subject to the procedure for plan review and approval set forth herein.

6.2 Plan Review and Approval. In the event Lessee desires to construct capital improvements and/or make renovations on the Leased Premises, Lessee shall, at its sole cost and expense, prepare and deliver to Lessor for its review two (2) copies of plans and specifications for the proposed improvements. Within sixty (60) days after receipt of such plans and specifications, Lessor shall either approve the plans and specifications, or deliver its objections to the plans and specifications to Lessee. In the event that Lessor fails to timely either approve the plans and specifications or deliver its objections to Lessee, then Lessee shall provide written notice to Lessor of such failure and Lessor shall have thirty (30) days after receipt of such notice to either approve the plans and specifications or deliver its objections to Lessee. In the event Lessor fails to do so after the provision of such notice to Lessor, then Lessee shall be entitled to have the matter considered at the first regular meeting of Lessor's Board of Directors at which the matter may properly be placed on the agenda following Lessee's request for such consideration. Lessee shall promptly address any objections made by Lessor and shall submit revised plans and specifications to Lessor for its review and approval. Lessor's approval shall not be unreasonably withheld. Upon Lessor's approval of plans, Lessee shall promptly commence and diligently complete work subject to the requirements specified in section 6.3 (Alterations and Improvements) and pursuant to any procedures adopted by Lessor of general applicability to approval of construction or inspection of alterations or improvements. Lessee shall maintain complete records of all costs for capital improvements and renovations and make same available to Lessor for review upon reasonable notice.

6.3 Alterations and Improvements. Notwithstanding 6.2, above, Lessee shall not install, make, or suffer to be made, any alterations or improvements to the Premises or any part thereof without the prior written consent of Lessor which shall not unreasonably be withheld. All work performed by Lessee shall be performed in accordance with good construction practices, applicable governmental requirements, the requirements of any insurance policy providing coverage to the Premises and the general and special conditions, plans and specifications approved by Lessor. Lessee shall comply with all construction regulations of Lessor and shall provide insurance reasonably required by Lessor, including such proof of insurance coverage as Lessor may reasonably require. All alterations or improvements performed by Lessee shall be carried out by licensed contractors approved by Lessor (which approval shall not be unreasonably withheld) and shall be carried out in accordance with all applicable laws and regulations. Lessee shall, at Lessee's sole cost and expense, obtain all necessary permits, licenses and authorizations in connection with the construction. Lessee's work shall be subject to the general inspection of Lessor. Lessee shall provide proof satisfactory to Lessor that Lessee's contractor will (a) provide warranties for not less than one year against defects in workmanship, materials, and equipment; (b) carry or cause to be carried worker's compensation insurance covering all of the contractor's and its subcontractor's employees; and (c) carry public liability and property damage insurance which names Lessor as an insured and requires thirty (30) days prior written notice to Lessor before any change in or cancellation of coverage becomes

effective. The policy or policies shall contain liability limits of not less than One Million Dollars (\$1,000,000) single limit coverage. All improvements, additions to or alterations of the Premises except movable furniture and trade fixtures shall at the termination of this Lease remain attached to and become part of the Leased Premises. Lessor shall have the right to post a notice of non-responsibility for liens arising out of any work performed, materials furnished and obligations incurred by Lessee. Lessee agrees to advise Lessor in writing at least ten (10) business days in advance of the date upon which alterations will be commenced in order to permit Lessor to post such a notice. Lessee shall keep the Leased Premises free from any and all liens arising out of any work performed, materials furnished or obligations incurred by Lessee. Lessee shall indemnify, defend and hold Lessor harmless against any claim, demand, liability or expense on account of claims for work done or materials supplied for Lessee or person claiming under it.

6.4 Maintenance Costs. Lessee at its sole cost and expense shall at all times maintain the Premises, including grounds, buildings, structures and improvements in a good state of repair and in a safe, clean, neat and sanitary condition. Lessee hereby waives the provisions of sections 1941 and 1942 of the Civil Code of the State of California and any statutes, laws or ordinances now or hereafter enacted permitting Lessee to make repairs at the expense of the Lessor or to terminate this Lease by reason of the condition of the Leased Premises. In the event Lessee fails to make any repairs required to be made by Lessee in accordance with the terms of this section, Lessor shall have the option, but not the obligation, to make such repairs at the expense of Lessee. Lessee shall pay as additional rent due hereunder upon demand all costs of Lessor for making such repairs. Lessor shall have no liability to Lessee for any damage, inconvenience or interference with the use of the Leased Premises by Lessee as a result of the making of any repairs made by Lessor and the rent shall not be abated by reason thereof.

6.5 Surrender of Premises. Upon the expiration or earlier termination of this Lease, Lessee shall vacate and surrender the Leased Premises and all improvements and alterations made thereto in good condition, reasonable use and wear excepted. If required by Lessor, Lessee shall remove prior to the date of termination at Lessee's expense, any or all of its trade fixtures, improvements, equipment, machinery, materials or other personal property which are not an attached part of the Leased Premises and shall repair any damage to the Leased Premises caused thereby. This covenant shall survive the expiration or sooner termination of the term of this Lease.

ARTICLE 7 DAMAGE, DESTRUCTION, OR CONDEMNATION

7.1 Damage or Destruction. If the improvements on the Leased Premises (whether existing as of the Commencement Date or subsequently installed by Lessee) are substantially damaged or destroyed during the term hereof, Lessor agrees to consult with Lessee on the advisability of repairing or rebuilding the improvements. In the event there is destruction or substantial damage to the improvements, Lessee may either elect to repair or rebuild the improvements or may elect to terminate this Lease by giving notice of such

election in writing to Lessor within sixty (60) days after the occurrence of the event causing the damage. As used in this section substantial damage means damage requiring repairs, the expense of which would exceed twenty-five percent (25%) of the fair market value of the improvements. If Lessee elects to terminate, all insurance proceeds received by either Party as a result of such damage shall belong to Lessor. If Lessee does not elect to terminate, this Lease shall continue, and Lessee shall diligently complete the repair or rebuilding of the improvements. If Lessee elects to repair or rebuild, the damage shall be promptly repaired by Lessee at Lessee's expense, provided that Lessee shall apply any insurance proceeds received as a result of such damage to the repair or replacement of the improvements. If damage to the improvements or repair or rebuilding of the improvements after such damage renders the Premises untenable in whole or in part and the damage is not due to the default or neglect of Lessee and Lessee elects to repair such damage pursuant to the provisions of this section, then a proportionate abatement of the rent shall be allowed from the ninetieth (90th) day following the date on which such damage occurs until the date Lessee completes repairs, but in no event for longer than an aggregate of one hundred eighty (180) days. Lessee hereby waives any right it may have under the provisions of California Civil Code section 1932(2) and section 1933(4) or any successor statute thereto regarding repair and termination after destruction of part or all of the Premises.

7.2 Total Taking. If all the Leased Premises are taken or condemned for a public or quasi-public use this Lease shall terminate as of the date of condemnation and Lessee shall thereupon be released from any liability thereafter occurring hereunder.

7.3 Partial Taking. If any part of the Leased Premises are taken or condemned for a public or quasi-public use and there is such a major change in the character of the property as to prevent Lessee from using the Leased Premises in substantially the same manner as theretofore used then and in such event Lessee may terminate this Lease as of the date of condemnation by giving written notice to Lessor on or before the date of condemnation. If any part of the Leased Premises are taken or condemned for a public or quasi-public use and either party does not elect or does not have the power to terminate this Lease as herein above set forth, then this Lease shall continue in full force and effect except that as to the part so taken this Lease shall terminate as of the date of condemnation and the monthly rent payable hereunder shall be adjusted so that Lessee shall be required to pay for the remainder of the term only such portion of such rent as the value of the remaining part after condemnation bears to the value of the Leased Premises at the date of condemnation. Each party hereby waives the provisions of California Code of Civil Procedure section 1265.130 or any similar statute allowing either party to petition the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

7.4 Condemnation Award. If all or any part of the Leased Premises is taken or condemned by Lessor and the Lease is terminated as set forth above, Lessor shall have the choice of: (a) paying to Lessee the condemnation value of the Leased Premises or (b) relocating Lessee to comparable improved property at the Airport reasonably suitable for Lessee's uses.

7.5 Notice. Except in the case of emergency, if all or any part of the Leased Premises is taken or condemned by Lessor, Lessor agrees to provide Lessee with not less than one hundred eighty (180) days written notice prior to the condemnation date.

ARTICLE 8 DEFAULT

8.1 Event of Default. Each of the following events shall be an event of default hereunder by Lessee and a breach of this Lease:

- i. The failure by Lessee to pay Lessor any rent or other charges due under this Lease as and when the same become due and payable if such failure continues after three (3) days written notice thereof by Lessor to Lessee;
- ii. The failure by Lessee to perform or observe any other agreements, terms, covenants or conditions hereof if such nonperformance or nonobservance continues for a period of ten (10) days after written notice thereof by Lessor to Lessee or if such performance or observance cannot be had within such ten (10) day period then if Lessee has not in good faith initiated efforts toward curing the default within such ten (10) day period and does not diligently proceed therewith to completion;
- iii. The filing by or against Lessee in any court pursuant to any statute of the United States or of any state of a petition in bankruptcy or insolvency or for reorganization or arrangement or for the appointment of a receiver or trustee of all or any portion of Lessee's property if within ninety (90) days after the commencement of any such proceedings against Lessee or after such assignment for the benefit of creditors such petition shall not have been dismissed or such assignment shall not have been revoked,-
- iv. The transfer or attempted transfer of Lessee's interest in this Lease to any person, firm or corporation whether voluntarily or by operation of law except in the manner expressly permitted in this Lease; or
- v. Vacating or abandoning the Premises by Lessee at any time during the term hereof for a period in excess of fourteen (14) consecutive days.

8.2 Lessor's Remedies. Lessor shall have the following remedies in the event of a default. The remedies are not exclusive - they are cumulative and in addition to any remedies now or later allowed by law. Lessor can continue this Lease in full force and effect. The Lease will continue in effect as long as Lessor does not terminate Lessee's right to possession and Lessor shall have the right to collect rent when due during the period Lessee is in default. Lessor can enter the Leased Premises and relet them or any part of them to third parties for Lessee's account. In case the Leased Premises are relet and Lessor does not terminate the Lease, Lessee will pay the difference between the amount of rent payable during the remainder of the term and the net rent actually received by Lessor during

the term after deducting all expenses for repairs, alterations, recovering possession and reletting the same. No act by Lessor in reletting the Premises allowed by this section shall terminate this Lease unless Lessor notifies Lessee that Lessor elects to terminate this Lease. Lessor can terminate Lessee's right to possession of the Leased Premises at any time upon giving notice to Lessee. No act by Lessor other than giving notice to Lessee shall terminate this Lease. In the event of Lessee's default and Lessor's re-entering of the Leased Premises, Lessee agrees to pay Lessor as an additional item of damages the cost of repairs, alterations, redecorating, lease commissions and Lessor's other expenses incurred in reletting the Premises to a new tenant.

ARTICLE 9 INDEMNITY AND INSURANCE

9.1 Waiver. This Lease is made upon the express condition that Lessee hereby waives all claims against Lessor for damages to property or for injuries or death to any person or persons from any cause except the negligence of Lessor or any of its agents, employees or servants arising at any time.

9.2 Indemnity. Lessee hereby agrees to and shall indemnify and defend Lessor against and hold Lessor harmless from any and all claims, demands, actions, damages, liability and expense in connection with or for loss of or damage to property or injury or death to any person from any cause whatsoever while in, upon or about the Leased Premises or any such claims, demand or the like arising from or out of any occurrence in, upon or at the Leased Premises from or in connection with the occupancy or use by Lessee of the Leased Premises or any part thereof or from or in connection with the business conducted by Lessee in Leased Premises or occasioned wholly or in part by any act or omission of Lessee, its agents, contractors, employees, licensees or concessionaires.

9.3. Indemnity by Lessor for Surrendered Premises. Lessor hereby agrees to and shall indemnify and defend Lessee against and hold Lessee harmless from any and all claims, demands, actions, damages, liability and expense in connection with or for loss of or damage to property or injury or death to any person from any cause whatsoever while in, upon or about the Surrendered Premises or any such claims, demand or the like arising from or out of any occurrence in, upon or at the Surrendered Premises from or in connection with the occupancy or use by Lessor or Lessor's tenants of the Surrendered Premises or any part thereof or from or in connection with the business conducted by Lessor in Surrendered Premises or occasioned wholly or in part by any act or omission of Lessor, its agents, contractors, employees, licensees or concessionaires. Notwithstanding the above, the indemnification of this paragraph excludes any environmental contamination resulting from the Lessee's occupancy or its tenants' occupancy of the Leased Premises. Nothing in this paragraph is intended to supersede Lessee's obligations contained in Article 4.

9.4 Insurance Coverage. During the term of this Lease, including any extension or renewal thereof, Lessee, at its cost, shall always maintain in full force and effect comprehensive public liability insurance and property damage insurance (each more

particularly described below) upon the Premises and upon all aircraft operated by Lessee at the Airport.

9.5 Airport Liability. Lessee shall maintain comprehensive airport liability insurance with a minimum of not less than Five Million Dollars (\$5,000,000) combined single limit annual aggregate for bodily injury, death and property damage in connection with the use by Lessee, invitees, agents, suppliers and employees on the Premises that provides coverage of both Lessee and Lessor. Comprehensive airport liability insurance will include coverage for premises/operations liability and products/completed operations liability.

9.6 Hangarkeeper's Liability. Should Lessee's operations include care and/or custody of aircraft stored on the Premises, Lessee shall maintain hangarkeeper's legal liability insurance in an amount sufficient to fully cover the replacement value of all aircraft for which said custody is assumed.

9.7 Aircraft Liability. Lessee shall maintain aircraft liability insurance which shall provide combined single limit for bodily injury and property damage for all aircraft owned, leased or operated by Lessee or in Lessee's business with minimum limits of One Million Dollars (\$1,000,000) for single-engine piston-powered or turboprop-powered fixed-wing aircraft, Three Million Dollars (\$3,000,000) for piston-powered multiple-engine fixed-wing aircraft, Five Million Dollars (\$5,000,000) for turbo-prop multiple-engine fixed-wing aircraft, Ten Million Dollars (\$10,000,000) for all gas turbine-powered fixed-wing aircraft, Three Million Dollars (\$3,000,000) for single-engine rotor craft, and Five Million Dollars (\$5,000,000) for multiple-engine rotor craft.

9.8 Fire Insurance. Lessee shall maintain fire insurance covering the Leased Premises and all improvements, including protection against perils included within the classification standard fire and extended coverage together with insurance against vandalism and malicious mischief, in an amount sufficient to fully cover the replacement cost of all improvements.

9.9 Other Insurance Requirements. All policies shall name Lessor as an additional insured. Insurance shall be with a company or companies satisfactory to Lessor in the amounts of not less than that specified herein or in minimum amounts as may be subsequently adjusted by Lessor in the exercise of its reasonable business judgment and consistent with airport industry practice for similar kinds of activities. Lessee shall at all times during the term of this Lease, including any extension or renewal hereof, provide Lessor with a certificate from the insurance carrier or carriers insuring Lessee as set forth herein. Insurance policies shall not be subject to cancellation except after notice to Lessor by registered mail at least thirty (30) days prior to such cancellation. Where policies have normal expirations during the term of this Lease or any extension thereof written evidence of renewal shall be furnished to Lessor thirty (30) days prior to such expiration.

9.10 Waiver of Subrogation. The parties release each other and their respective authorized representatives from any claims for damage to any person or to the Leased Premises and to the fixtures, personal property, Lessee improvements and alterations by

Lessor or Lessee in or on the Premises that are caused by or result from risks insured against under any insurance policy carried by either party and in force at the time of any such damage to the extent of the insurance proceeds received from such policy. Each party shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against either party in connection with any damage covered by any policy. If the insurance cannot be obtained or the party in whose favor a waiver of subrogation is desired refuses to pay the additional premium charged, the other party is relieved of the obligation to obtain a waiver of subrogation right with respect to the particular insurance involved.

ARTICLE 10 MISCELLANEOUS

10.1 Assignment and Subletting. Lessee shall not assign or sublet the Leased Premises or any part of the Leased Premises without the prior written consent of Lessor, which shall not be unreasonably withheld. In reviewing any requests for an assignment or sublease, Lessor shall have the right to consider the business reputation and the financial strength in the business activity of the potential assignee.

10.2 Attorneys Fees. In the event of any action at law or in equity between Lessor and Lessee arising out of or concerning this Lease or any right or obligation derived therefrom, then in addition to all other relief at law or in equity, the prevailing party shall be entitled to recover from the unsuccessful party all attorneys' fees and costs incurred therein by the prevailing party. The term "Prevailing Party" will include, without limitation, a party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other party of its claim or defense.

10.3 Change in Ownership. Lessee represents that it is a limited liability company organized and existing under and by virtue of the laws of the State of California. It is a condition of this Lease that such control shall not be transferred without the consent of Lessor in writing first had and obtained, which consent shall not be unreasonably withheld. In the event of such transfer without such consent of Lessor, Lessor at its option may terminate this Lease.

10.4 Notices. Wherever notice is required by the terms of this Lease, notice shall be deemed complete upon personal service of written notice upon the party or parties to whom such notice is given or such notice may be given by prepaid U.S. first-class mail addressed to Lessor at 200 Fred Kane Drive, Suite #200, Monterey, California, 93940 or addressed to Lessee at 100 Sky Park Drive, Monterey, CA 93940 and such notice shall be deemed complete upon deposit in the United States mail within the State of California.

10.5 Possessory Interest Tax. In the event a possessory interest tax is levied by the appropriate taxing authority of the County of Monterey or the State of California it is understood that Lessee shall be solely responsible for the payment of such tax.

10.6 Non-Discrimination. The Standard Nondiscrimination and Airport Development Provisions For Leases attached hereto as Exhibit “D” are incorporated herein by this reference. Lessee's failure to abide by the requirements set forth therein shall constitute a breach of the terms of this Lease in like manner as if the same were contained herein as covenants and conditions. Terms, covenants and conditions shall be valid and enforced to the fullest extent permitted by law.

10.7 Tense, Number and Gender. Each number, tense and gender used in this Lease shall include any other tense, number or gender where the context and the Parties hereto or the context and references therein shall require.

IN WITNESS WHEREOF, the Parties hereto have executed this Lease on the dates below indicated.

LESSOR:
MONTEREY PENINSULA AIRPORT DISTRICT

Dated: _____

By: _____

Its: _____

ATTEST

District Secretary

LESSEE:
MONTEREY FUEL COMPANY, LLC
A CALIFORNIA LIMITED LIABILITY
COMPANY

Dated: _____

By: _____
[NAME]

Its: Member

EXHIBIT "B"

Northside Leasehold Area

Area identified as Suite G, Suites D and F, and Future Fuel Facility for the construction of T-Hangars, one (1) 100' x 100' corporate hangar and a self-service fuel facility

1600 AIRPORT RD

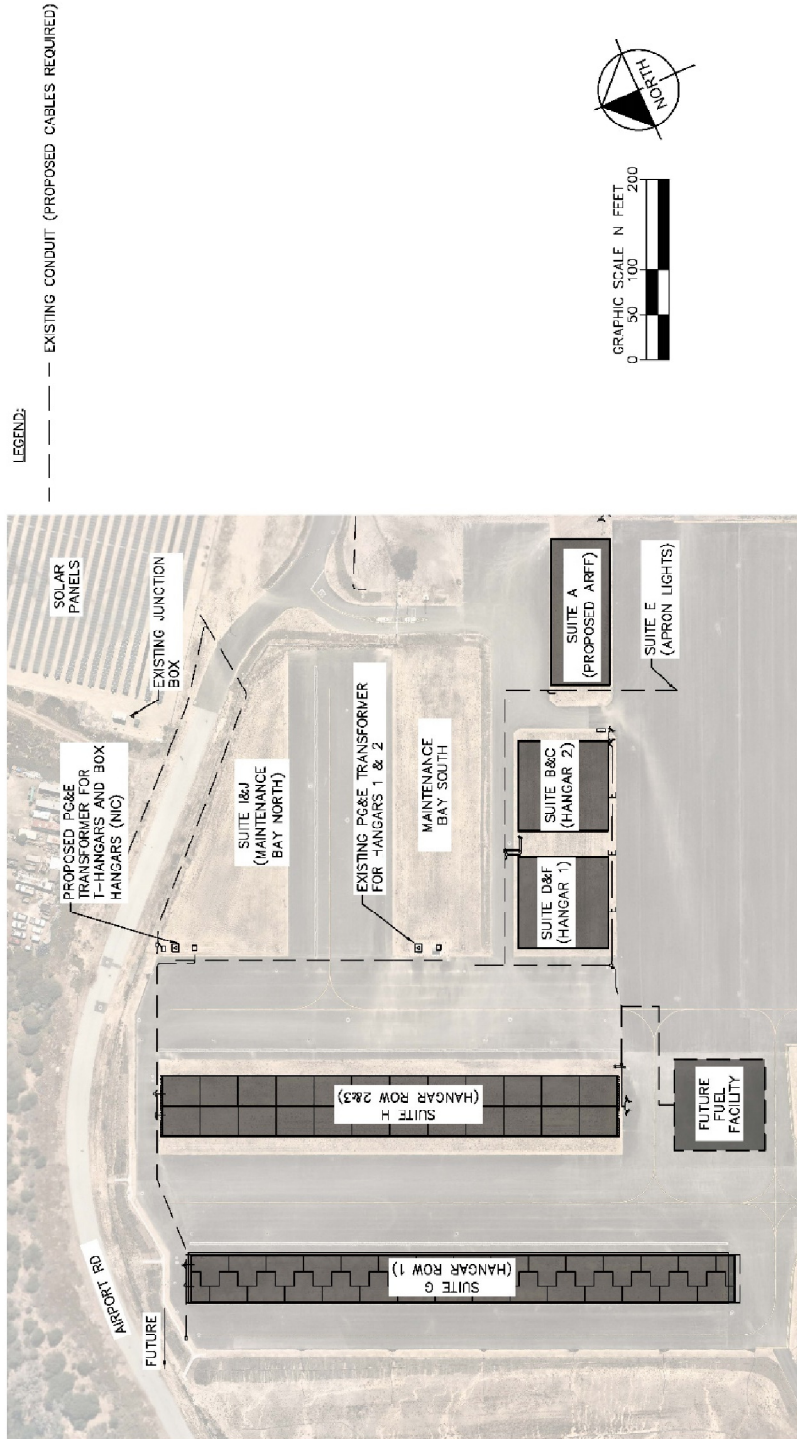


EXHIBIT "C"
 Eastside Leasehold Area (Area Surrendered)

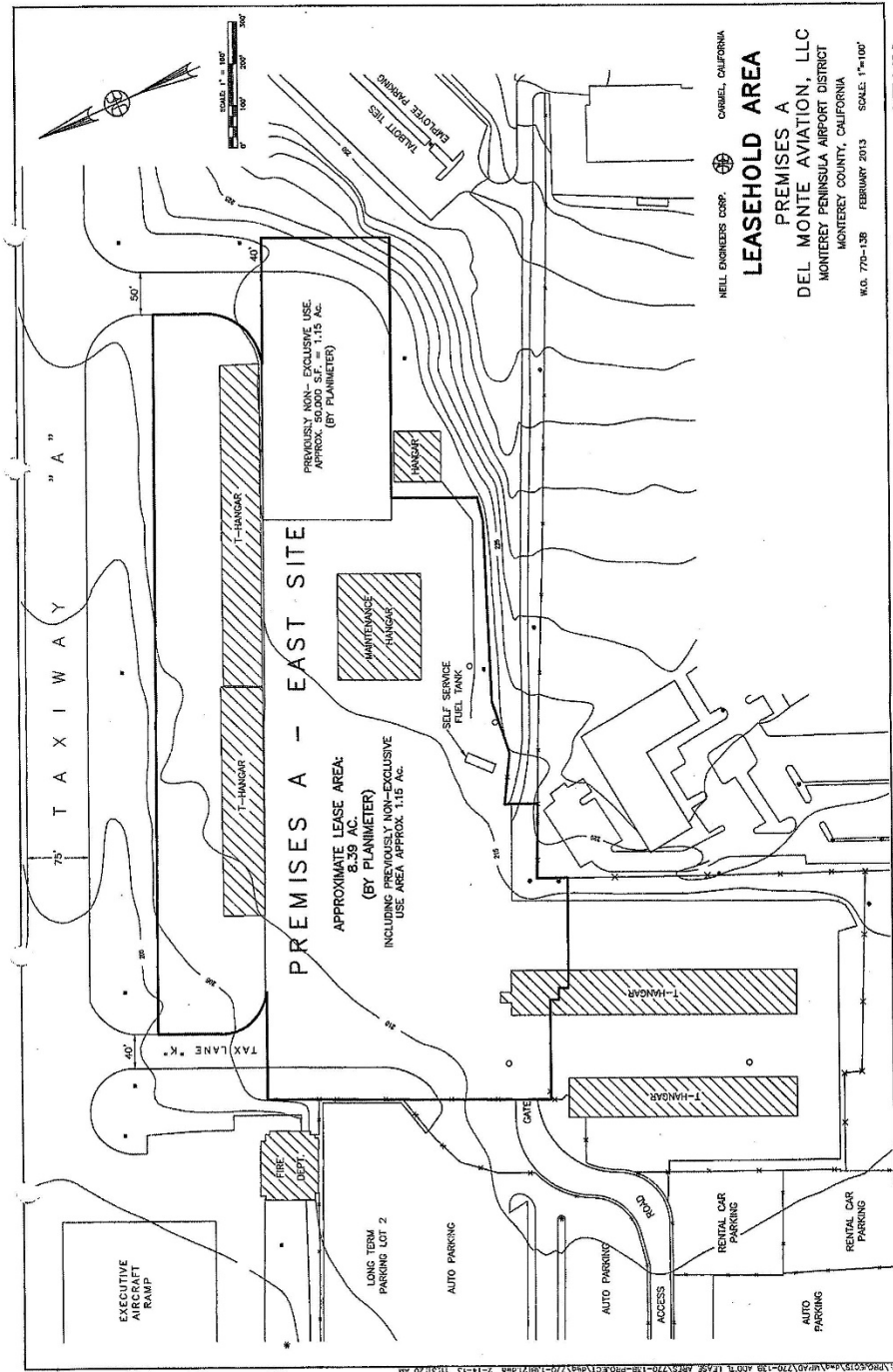


EXHIBIT "D"

Standard Nondiscrimination and Airport Development Provisions For Leases

1. Lessee for himself/herself/itself and all heirs, personal representatives, successors in interest, and assigns, as a part of the consideration for these Lease to which these Standard Nondiscrimination and Airport Development Provisions for Leases are attached or made a part (hereinafter, the "Lease"), 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 the Lease (the "Premises") 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, Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations (CFR), DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs of the DOT effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.
2. Lessee for himself/herself/itself and all personal representatives, successors in interest, and assigns, as a part of the consideration for the Lease, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of 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 the Premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (3) that 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 of 1964, and as said Regulations may be amended.
3. Lessee for himself/herself/itself and all personal representatives, successors in interest, and assigns, as a part of the consideration for the Lease, does hereby covenant and agree as a covenant running with the land that in the event of breach of any of the above Nondiscrimination covenants, Lessor 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 had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.
4. Lessee shall furnish all accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, that Lessee may be

allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchases.

5. Non-compliance with Provision 4 above shall constitute a material breach of the Lease and in the event of such non-compliance Lessor shall have the right to terminate the Lease and the estate thereby created with liability therefore or at the election of Lessor or the United States either or both said governments shall have the right to judicially enforce said provisions.

6. Lessee agrees that Lessee shall insert the above five provisions in any sublease, lease agreement or other contract by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises.

7. Lessee assures that Lessee will undertake and affirmative action program as required by 14 CFR Part 152, Subpart 3, to insure that no person shall on the grounds of 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 ground from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures the Lessee will require that Lessee's covered suborganizations provide assurances to 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 effect.

8. Lessor reserves the right to further develop or improve the landing area of the Monterey Regional Airport (the "Airport") as Lessor sees fit, regardless of the desires or view of Lessee and without interference or hindrance.

9. Lessor reserves the right but shall not be obligated to Lessee 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 Lessee in this regard.

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

11. There is hereby reserved to Lessor, 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 aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation of the Airport.

12. Lessee agrees to comply with the notification and review requirements covered by 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. Lessee by accepting the Lease expressly agrees for himself/herself/itself and all successors and assigns that Lessee will not erect nor permit the erection of any structure or object, nor permit the growth of any tree on the Premises covered by Part 77. In the event the aforesaid covenants are breached, Lessor 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 Lessee.

14. Lessee by accepting the Lease expressly agrees for himself/herself/itself and all successors and assigns that Lessee will not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Monterey Regional Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Premises and cause the abatement of such interference at the expense of Lessee.

15. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).

16. The Lease and all of the provisions thereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of the Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

COMMERCIAL REAL PROPERTY PURCHASE AGREEMENT BETWEEN
MONTEREY PENINSULA AIRPORT DISTRICT AND
MONTEREY FUEL COMPANY, LLC FOR THE NORTHSIDE
DEVELOPMENT AREA

Seller: Monterey Fuel Company
LLC, a California Limited
Liability Corporation (“MFC”) **Subject
Property:** New Hangars to Be Constructed
on North Side of Runway, as
more fully described in Exhibit
A.

Purchaser: Monterey Peninsula Airport
District, a California Special
District (“MPAD”) **Date:** January 13, 2023

Seller and Purchaser agree to the purchase and sale of property (the “Property”) situated in the Monterey Peninsula Airport District, County of Monterey, State of California, more particularly described as follows:

Aircraft hangars located at 1600 Airport Road consisting of twenty-four (24) box hangars identified as Suite H, and one (1) 100’ x 100’ corporate hangar identified as Suites B and C, as more particularly outlined in Exhibit A.

1. Terms Of Sale:

The purchase price (“Purchase Price”) shall be \$7,040,958.00 and shall be paid as follows:

- A. Initial Deposit: \$782,328.67 (1/9th of purchase price) due on 2/1/23
- B. Increased Deposit: \$782,328.67 (monthly payments of 1/9th of purchase price) starting 3/1 and finishing 10/1
- C. Balance Of Cash Down Payment: Balance owed, if any due at close of escrow.
- D. Total: \$7,040,958.00

2. Construction of Hangars:

A. Timeline for Completion of Construction:

Seller agrees to use best efforts to complete construction of the Property and file a notice of completion thereon on or before October 31, 2023, provided that Seller shall in no event be responsible for, and such completion date shall be extended for, any delay due to acts of God, delays caused by MPAD or any

other governmental entity, or unavailability or shortage of materials necessary to complete construction of the Property.

B. Workmanship and Compliance with Plans:

Seller agrees to complete, in a good and workmanlike manner, the improvements upon the Property, and shall furnish all labor and materials. Such improvements shall be constructed substantially in conformance with the plans and specifications on file with, and approved by MPAD. Issuance of a building permit to Seller for construction of the Subject Property shall be deemed acceptance by MPAD of the proposed design and layout of the Subject Property.

3. Closing Date–Escrow:

An escrow shall be opened with _____TBD_____ Title Company (the “Title Company”). Escrow shall close on or before October 31, 2023 (the “Closing Date”). Each party shall deliver to Escrow Holder, in sufficient time for escrow to close on the Closing Date, all documents and monies required hereunder. Close of escrow shall mean the date all documents required hereunder are placed of record.

4. Closing Costs:

Closing costs are to be paid as follows:

A. **Escrow Fees:** Purchaser

B. **County Transfer Tax:** Purchaser, if applicable

Any additional escrow costs or fees shall be paid according to the custom and practice of the county in which the Property is located. In the event Seller or Purchaser completes a tax-deferred exchange and additional closing costs and transfer taxes are incurred, the beneficiary of the exchange shall pay all additional costs arising out of the tax-deferred exchange.

5. Possession:

Possession shall be delivered to Purchaser on close of escrow. Property shall be vacant, unless otherwise agreed in writing.

6. Document Delivery Schedule:

Unless otherwise specified, within 90 days after the Contract Date, Purchaser and Seller shall deliver to each other, or to each other’s agent, all documentation required to be delivered, unless impossible or reasonably impracticable based upon contingencies of purchase as outlined below.

7. Conditions To Purchaser's Performance:

A. Warranties and Building Guarantees:

Seller provides Purchaser no warranties, implied or expressed, regarding the Property, except for those to which the Seller may otherwise be entitled from any third party regarding the Property. Within 90 days from the Contract Date, Purchaser shall approve of all warranties and building guarantees pertaining to the Property and tenant improvements which Seller shall assign, in writing, to Purchaser at close of escrow.

B. Final Inspection:

Buyer shall have the right to make a final inspection of the Property accompanied by Seller within 10 Days prior to Close Of Escrow, not as a contingency of the sale, but solely for the purpose of preparing a list of corrective work, if any, which may be necessary. Seller shall provide Buyer with at least 5 Days' notice of the date on which the Property is to be inspected and shall have the right to accompany Buyer on such inspection. Buyer's failure to make the final inspection on the agreed date, the existence of minor defects in the dwelling, or any corrective work agreed to be performed by Seller pursuant to this paragraph shall not cause a delay in the Close Of Escrow or entitle Buyer to withhold any portion of the purchase price. Seller shall, prior to or after the close of escrow, proceed diligently to complete all corrective work agreed to and acknowledged by Buyer and Seller in writing in a reasonably prompt manner in accordance with Seller's Warranty.

8. Right to Extend Time for Removal of Conditions:

Providing Purchaser is not in default, Purchaser shall have the right to extend the time for removal of the conditions specified in this Agreement for an additional period of 90 days if, prior to the expiration of the time for performance, Purchaser notifies Seller, in writing, of Purchaser's intent to extend.

9. Binding Agreement:

This Agreement, to the extent assignable, is binding upon the heirs, executors, administrators, successors and assigns of the Purchaser and Seller, and shall survive close of escrow.

10. Representation Of Authority To Execute:

Each person executing this Agreement on behalf of a party represents and warrants that such person is duly and validly authorized to do so on behalf of the entity it purports to so bind, and if such party is a partnership, corporation or trustee, that such partnership, corporation or trustee is the owner of the Property and has full right and authority to enter into this Agreement and perform all of its obligations hereunder. To the extent that the signatories to this Agreement shall comprise of a group of individuals, the individuals represent that they are all the owners of the Property and agree that the obligations and liabilities of such individuals under this Agreement shall be joint and several.

11. Americans With Disabilities Act:

The Americans With Disabilities Act (ADA) requires both the owner of real estate and the tenant of real estate to comply with its provisions.

In part, the Act requires owners and tenants of public accommodations to remove physical barriers to access and provide auxiliary aids or services for persons with hearing, vision or speech impairment. The ADA does not specify responsibility for compliance as between lessor and lessee or as between seller and purchaser. The property to be constructed shall comply with ADA regulations.

12. Legal Action:

If either party files any action or brings any proceeding against the other arising out of this Agreement, or is made a party to any action or proceeding brought by the escrow holder, then the prevailing party shall be entitled to recover as an element of its cost of suit, and not as damages, reasonable attorneys' fees to be fixed by the court. This Agreement shall be governed by California law.

13. Toxic Contamination Disclosure:

Seller and Purchaser acknowledge that they have been advised that numerous federal, state and/or local laws, ordinances and regulations ("Laws") affect the existence and removal, storage, disposal, leakage of and contamination by materials designated as hazardous or toxic ("Toxics"). Many materials, some utilized in everyday business activities and property maintenance, are designated as hazardous or toxic.

Some of the Laws require that Toxics be removed or cleaned up by landowners, future landowners or former landowners without regard to whether the party required to pay for the "clean up" caused the contamination, owned the property at the time the contamination occurred or even knew about the contamination. Some items, such as asbestos or PCBs, which were legal when installed, now are classified as Toxics, and are subject to removal requirements. Civil lawsuits for damages resulting from Toxics may be filed by third parties in certain circumstances.

14. F.I.R.P.T.A.:

Seller shall deliver to Purchaser at the close of escrow an affidavit executed by Seller under penalty of perjury stating Seller's United States taxpayer identification number, that Seller is not a foreign person, and all other information required in accordance with Internal Revenue Code Section 1445(b)(2).

15. Maintenance Of The Property:

Seller shall be responsible for normal and customary maintenance of the Property during the construction period and through the close of escrow, and shall pay any and all expenses of any kind incurred in the normal and customary maintenance and operation of the Property until close of escrow.

16. Consult Your Attorney And Tax Consultant:

This document has been prepared for submission by Purchaser and Seller to their attorneys and tax consultants for approval from the standpoint of protection of legal rights.

17. Time:

Time is of the essence of this contract.

18. Entire Agreement:

Except for any addenda attached hereto, this Agreement constitutes the entire agreement between Purchaser and Seller with respect to the purchase of the Property by Purchaser and supersedes all other agreements, letters, memoranda or understanding respecting the same, whether written or oral. This Agreement may not be modified by either party by oral representation made before, contemporaneous with or after the execution of this Agreement. All modifications, amendments or additions to this Agreement must be in writing signed by Seller and by Purchaser.

19. Other Terms And Conditions:

A. Management Agreement:

The Parties have executed the Property Management Agreement, which is attached as Exhibit B. Upon close of escrow, the Property Management Agreement shall become effective and of full force and effect.

B. Building Plans:

Within 60 days after the Contract Date, Seller shall provide to Purchaser a copy of building layout plans, including floor plans and building elevation plans, in Seller's possession or under Seller's control. Seller shall have no obligation to provide building plans if not in Seller's possession or under Seller's control.

C. "Soils and Engineering Reports:

Within 90 days after the Contract Date, Seller shall provide to Purchaser copies of any and all soils and engineering reports and studies in Seller's possession or under Seller's control. Seller shall have no obligation to acquire soils and engineering reports if not in Seller's possession or under Seller's control.

D. Hazardous Substances Indemnity:

Purchaser agrees to indemnify, defend and hold Seller harmless against and with respect to all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties, engineering consultant and attorneys' fees that Seller shall incur or suffer which arise, result from or relate to any Toxic, pollutant or contaminant existing in, on or beneath the Property or any improvement or equipment on the Property, or in the surface or groundwaters associated with the Property, prior to close of escrow, except to the extent that any release or threatened release of any such

Toxic, pollutant or contaminant was caused after close of escrow by Seller's negligence after Seller had actual knowledge of the presence of such Toxic, pollutant or contaminant on the Property.

E. Seller's Warranties:

Seller hereby represents and warrants to Purchaser:

(1) Improvements:

That (i) all improvements constructed upon the Property will be constructed in full compliance with applicable building codes, fire regulations and other governmental and municipal ordinances and requirements; (ii) that there will be no material defects existing in the roof systems, plumbing or electrical systems, mechanical systems or basic structural components or any other portion of the Property; and (iii) that all required permits, including without limitation building and use permits, will have been obtained for the construction and occupancy of the Property.

(2) Documents Delivered:

That all documents delivered to Purchaser by Seller pursuant to the terms of this Agreement are complete and as of their respective dates true and correct.

(3) Compliance with Plans and Specifications:

That the improvements located on the Property will have been constructed and completed in accordance with the plans and specifications submitted to MPAD in accordance with any application for building permit relating to such improvements and in accordance with all covenants, conditions, restrictions and agreements of any kind or nature affecting the Property or the development thereof and in compliance with building codes and ordinances.

(4) State of Facts:

That Seller is not in default of any of its obligations or liabilities pertaining to the Property, nor is there any state of facts or circumstances or condition or event which, after notice or lapse of time or both, would constitute or result in any such default.

(5) Title:

a. Encumbrances:

That to Seller's best knowledge, the Property is, and will be, free and clear of all liens, encumbrances, claims, rights, demands, easements, leases, agreements, covenants, conditions, and restrictions of any kind, except for the Permitted Exceptions.

(6) Litigation:

That Seller is not involved in or aware of any pending or threatened litigation which does or will affect the Property. There are no actions or proceedings pending or threatened against Seller before any court or administrative agency in any way connected with or relating to the Property, or affecting Seller's ability to fulfill all of its obligations under this Agreement.

(7) Payment of All Obligations:

That as of close of escrow, there shall be no outstanding contracts made by Seller for any improvements to the Property which have not been fully paid for, and Seller shall cause to be discharged all mechanics' and materialmen's liens arising from any labor and material furnished prior to close of escrow or shall cause a bond to be posted to secure payment of the mechanics' and materialmen's liens from a surety company and in an amount approved in advance, in writing, by Purchaser. In the event there are undischarged mechanics' and/or materialmen's liens affecting the Property as of close of escrow, and Seller has not posted bonds securing payment of the liens pursuant to this subsection, Purchaser shall have the option to assume or take the Property subject to the undischarged liens and deduct the amount claimed under such liens (including interest and attorneys' fees) from the cash payable to Seller at close of escrow and to pay such liens in full.

(8) Survival:

That Seller's representations, warranties and covenants contained in this paragraph shall survive close of escrow.

The undersigned Purchaser offers and agrees to buy the Property on the terms and conditions above stated and acknowledges receipt of a copy hereof.

Purchaser: **MONTEREY PENINSULA AIRPORT DISTRICT**

By: _____ Date: _____
Name Printed

Acceptance

The undersigned Seller accepts the foregoing offer and agrees to sell the Property on the terms and conditions set forth.

The undersigned Seller acknowledges receipt of a copy hereof and hereby delivers a signed copy of it to Purchaser.

Seller: **MONTEREY FUEL COMPANY, LLC**

By: _____ Date: _____
Name Printed

EXHIBIT A PROPERTY DESCRIPTION

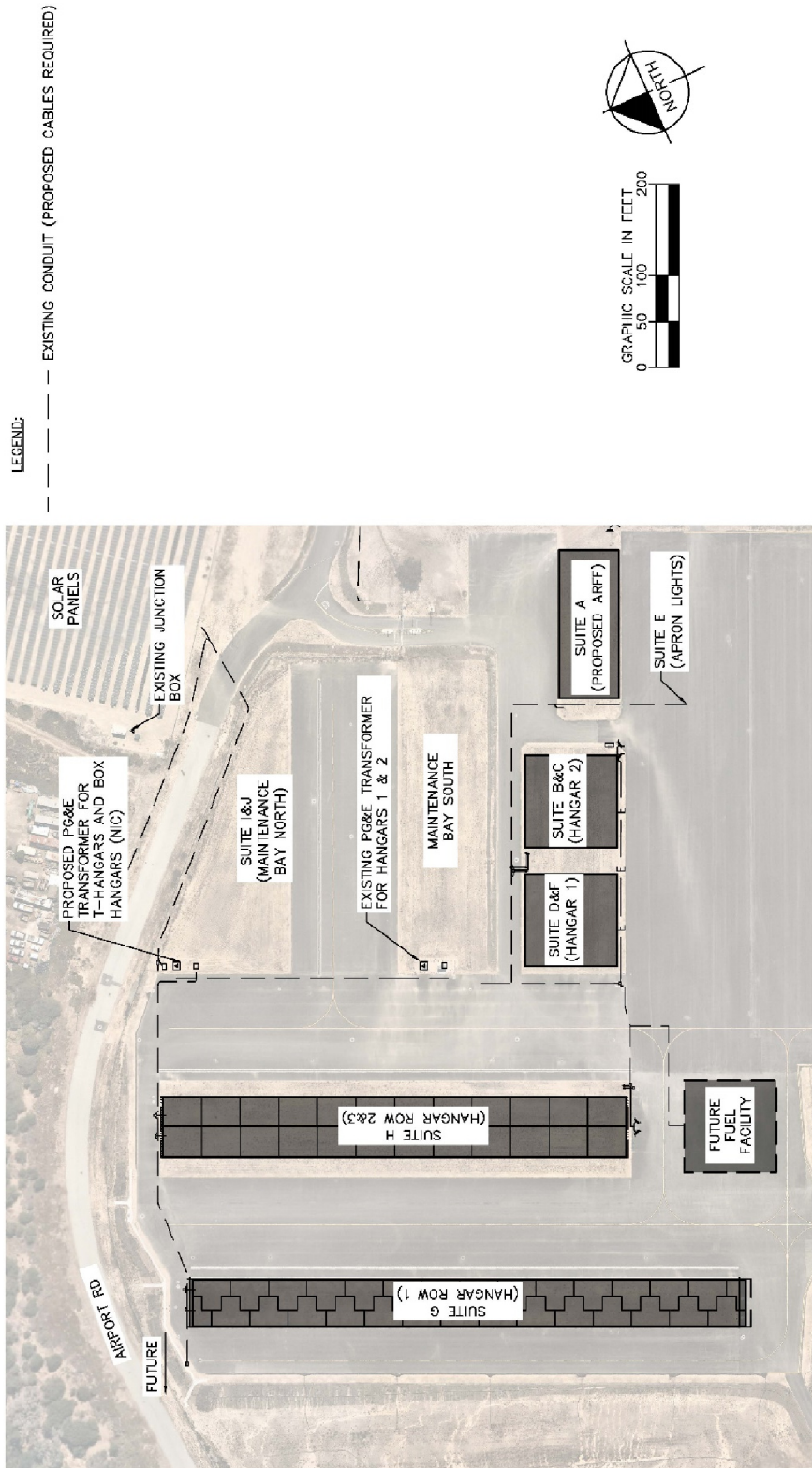


EXHIBIT B
PROPERTY MANAGEMENT AGREEMENT

PROPERTY MANAGEMENT AGREEMENT BETWEEN MONTEREY PENINSULA
AIRPORT DISTRICT AND MONTEREY FUEL COMPANY, LLC

This Agreement is made effective as of the date of the close of escrow of the Monterey Regional Airport North Side Commercial Real Property Purchase Agreement (“Commencement Date”), by and between Monterey Peninsula Airport District, a California special district, (“Owner”) and Monterey Fuel Company, LLC, (“Manager”).

The Manager is experienced in the operation and management of aeronautical use real estate and has the necessary staff and is otherwise completely able to competently manage aeronautical use real estate properties, and is willing to undertake the management and operation of the aeronautical use real estate properties of the Owner under the terms set out in this agreement:

1. DESCRIPTION OF THE PROPERTY. This Agreement is made with respect to the following properties: Aircraft hangars located at 1600 Airport Road consisting of twenty-four (24) box hangars identified as Suite H, and one (1) 100’ x 100’ corporate hangar identified as Suites B and C, as more particularly outlined in Exhibit 1.

2. RESPONSIBILITIES OF THE MANAGER. The Manager will serve, as an independent contractor, as the Owner's exclusive agent. Beginning on Commencement Date, Manager will provide to Owner the following services (collectively, the Services):

a. Collection and Disbursement: Manager agrees to collect all rents as they become due; to render to Owner a monthly accounting of rents received and expenses paid; and to remit to Owner all income, less any sums paid out to Manager. Manager agrees to collect the rents from the tenants and to disburse funds by ordinary mail or as instructed by the Owner on or before the day of the current month, provided, however, that the rent has been received from the tenants;

b. Maintenance and Labor: Manager agrees to maintain, and to repair the property and to hire and to supervise all employees and other needed labor.

c. Advertisement and Legal Proceedings: Manager agrees to advertise for tenants, screen tenants and select tenants of suitable credit worthiness. Manager will set rents that, in the opinion of the Manager, reflect the market conditions of that time and approximate rents of comparable aviation rental properties. Manager may adjust the rents from time to time, provided, however, that all rents for Owner’s properties, or any adjustments thereto, must be reviewed and authorized by Owner in writing. . Manager agrees to rent and to lease the property; to sign, renew and to cancel rental agreements and leases for the property or any part thereof; to sue and recover for rent and for loss or damage to any part of the property and/or furnishings thereof; and, when expedient, to compromise, settle and release any such legal lawsuits or proceedings. The form of all leases for Owner’s properties shall be approved by Owner and shall incorporate Owner’s Standard Nondiscrimination and Airport Development Provisions and Leases terms, a copy of which is attached to this Agreement as Exhibit 2.

3. AUTHORIZATION. The Owner hereby grants full power and authority to the Manager to do and perform each and every act which is reasonably required, proper, or necessary to be done in the exercise of any and all of the powers, responsibilities, and obligations granted to the Manager under this contract, as fully to all intents and purposes as the Owner could do if personally present.

4. **MANAGEMENT FEE.** The Manager is entitled to withhold a standard 15% from each monthly rental payment for payment of Manager's services under this contract ("Management Fee"). However, in no event shall the monthly Management Fee exceed \$2,500. For any services rendered other than those set out in this agreement, the Manager may be compensated at such a rate and on such terms as may be agreed between the Manager and the Owner. The payment indicated above does not account for payment for materials, labor or other costs which may be incurred in order to maintain or advertise the property. In addition to the Management Fee, the Manager may also withhold any sums necessary to cover fees and costs the Manager has incurred in regards to the maintenance of the property. The Manager will notify the Owner of any tenant who is over 30 days behind in paying their rent. In the event the rental payments in any month do not the total fees and costs owed to the Manager, the Owner will remit payment of the remaining balance within 15 days of notification by the Manager. The Manager is required to provide the Owner with an itemized monthly statement reflecting all rents received, owed, and all disbursements made from the rental payments.

5. **RELATIONSHIP OF PARTIES.** It is understood by the parties that Manager is an independent contractor with respect to the Owner, and not an employee of the Owner. Owner will not provide fringe benefits, including health insurance benefits, paid vacation, or any other employee benefit, for the benefit of the Manager or Manager's employees.

6. **WARRANTY.** Manager shall provide its services and meet its obligations under this Agreement in a timely and workmanlike manner, using knowledge and recommendations for performing the services which meet generally acceptable standards in Manager's community and region, and will provide a standard of care equal to, or superior to, care used by service providers similar to Manager on similar projects.

7. **TERM.** This Agreement will terminate automatically on December 31, 2032. However, the Agreement may be terminated at any time by either party with or without cause provided at least 365 days' prior written notice is delivered by the terminating party to the other party.

8. **INDEMNIFICATION.** Manager agrees to indemnify and hold Owner harmless from all claims, losses, expenses, fees including attorney fees, costs, and judgments that may be asserted against Owner that result from the negligent acts or omissions of Manager and/or Manager's employees, agents, or representatives.

9. **INSURANCE.** Manager shall maintain General Commercial Liability Insurance and Errors and Omissions (E&O) Insurance and provide proof thereof to Owner upon request. Owner shall obtain and pay for insurance covering any loss or damages that may be caused to the properties by any reason other than the negligence of Manager. Any loss or damage resulting from the conduct of a tenant(s), regardless of the reason, shall be the sole responsibility of Owner, and Owner shall indemnify and hold Manager harmless from any such claims.

10. **DEFAULT.** The occurrence of any of the following shall constitute a material default under this Contract:

- a. The failure to make a required payment when due.

- b. The insolvency or bankruptcy of either party.
- c. The subjection of any of either party's property to any levy, seizure, general assignment for the benefit of creditors, application or sale for or by any creditor or government agency.
- d. The failure to make available or deliver the Services in the time and manner provided for in this Contract.

11. REMEDIES. In addition to any and all other rights a party may have available according to law, if a party defaults by failing to substantially perform any provision, term or condition of this Agreement (including without limitation the failure to make a monetary payment when due), the other party may terminate the Agreement by providing written notice to the defaulting party. This notice shall describe with sufficient detail the nature of the default. The party receiving such notice shall have 10 days from the effective date of such notice to cure the default(s). Unless waived by a party providing notice, the failure to cure the default(s) within such time period shall result in the automatic termination of this Agreement.

12. FORCE MAJEURE. If performance of this Agreement or any obligation under this Agreement is prevented, restricted, or interfered with by causes beyond either party's reasonable control ("Force Majeure"), and if the party unable to carry out its obligations gives the other party prompt written notice of such event, then the obligations of the party invoking this provision shall be suspended to the extent necessary by such event. The term Force Majeure shall include, without limitation, acts of God, plague, epidemic, pandemic, outbreaks of infectious disease or any other public health crisis, including quarantine or other employee restrictions, fire, explosion, vandalism, storm or other similar occurrence, orders or acts of military or civil authority, or by national emergencies, insurrections, riots, or wars, or strikes, lock-outs, work stoppages. The excused party shall use reasonable efforts under the circumstances to avoid or remove such causes of non-performance and shall proceed to perform with reasonable dispatch whenever such causes are removed or ceased. An act or omission shall be deemed within the reasonable control of a party if committed, omitted, or caused by such party, or its employees, officers, agents, or affiliates.

13. RETURN OF PROPERTY. Upon termination of this Agreement, Manager will return to Owner all records, notes, documentation and other items that were used, created, or controlled by Manager during the term of this Agreement.

14. NOTICE. Any notice or communication required or permitted under this Agreement shall be sufficiently given if delivered in person or by certified mail, return receipt requested, to the address set forth in the opening paragraph or to such other address as one party may have furnished to the other in writing.

15. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties, and there are no other promises or conditions in any other agreement whether oral or written concerning the subject matter of this Agreement. This Agreement supersedes any prior written or oral agreements between the parties concerning the subject matter of this Agreement.

16. AMENDMENT. This Agreement may be modified or amended in writing, if the writing is signed by the party obligated under the amendment.

17. SEVERABILITY. If any provision of this Agreement will be held to be invalid or unenforceable for any reason, the remaining provisions will continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision will be deemed to be written, construed, and enforced as so limited.

18. WAIVER OF CONTRACTUAL RIGHT. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

19. GOVERNING LAW AND INCORPORATION OF GRANT ASSURANCES. This Agreement shall be construed in accordance with the laws of the State of California. In addition, the Parties acknowledge that the Owner is subject to the Grant Assurances as imposed by the Federal Aviation Administration, which are incorporated by reference as material terms to the Agreement and are binding upon each Party to this Agreement.

Owner:

By:
Its:
Date:

Manager:

By:
Its:
Date:

EXHIBIT 1 PROPERTY DESCRIPTION

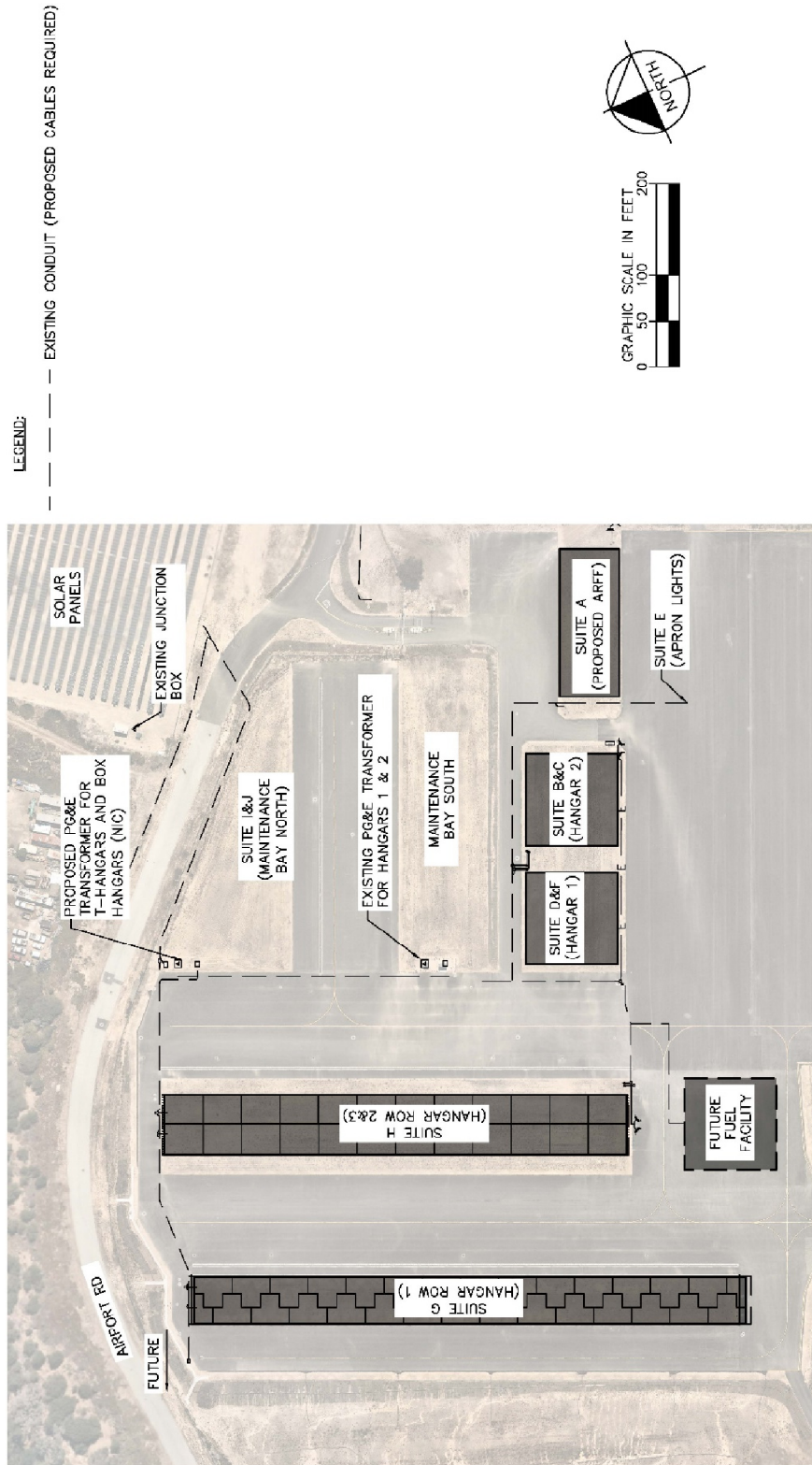


EXHIBIT 2

STANDARD NONDISCRIMINATION AND AIRPORT DEVELOPMENT PROVISIONS AND LEASES

1. Lessee for himself/herself/itself and all heirs, personal representatives, successors in interest, and assigns, as a part of the consideration for these Lease to which these Standard Nondiscrimination and Airport Development Provisions for Leases are attached or made a part (hereinafter, the "Lease"), 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 the Lease (the "Premises") 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, Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed pursuant to Title 49, Code of Federal Regulations (CFR), DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs of the DOT effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

2. Lessee for himself/herself/itself and all personal representatives, successors in interest, and assigns, as a part of the consideration for the Lease, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of 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 the Premises and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, and (3) that 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 of 1964, and as said Regulations may be amended.

3. Lessee for himself/herself/itself and all personal representatives, successors in interest, and assigns, as a part of the consideration for the Lease, does hereby covenant and agree as a covenant running with the land that in the event of breach of any of the above Nondiscrimination covenants, Lessor 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 had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

4. Lessee shall furnish all accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided, that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchases.
5. Non-compliance with Provision 4 above shall constitute a material breach of the Lease and in the event of such non-compliance Lessor shall have the right to terminate the Lease and the estate thereby created with liability therefore or at the election of Lessor or the United States either or both said governments shall have the right to judicially enforce said provisions.
6. Lessee agrees that Lessee shall insert the above five provisions in any sublease, lease agreement or other contract by which Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Premises.
7. Lessee assures that Lessee will undertake an affirmative action program as required by 14 CFR Part 152, Subpart 3, to insure that no person shall on the grounds of 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 ground from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures the Lessee will require that Lessee's covered suborganizations provide assurances to 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 effect.
8. Lessor reserves the right to further develop or improve the landing area of the Monterey Regional Airport (the "Airport") as Lessor sees fit, regardless of the desires or view of Lessee and without interference or hindrance.
9. Lessor reserves the right but shall not be obligated to Lessee 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 Lessee in this regard.
10. The Lease shall be subordinate to the provisions and requirements of any existing or future agreement between Lessor and the United States, relative to the development, operation or maintenance of the Airport.
11. There is hereby reserved to Lessor, 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 aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation of the Airport.

12. Lessee agrees to comply with the notification and review requirements covered by 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. Lessee by accepting the Lease expressly agrees for himself/herself/itself and all successors and assigns that Lessee will not erect nor permit the erection of any structure or object, nor permit the growth of any tree on the Premises covered by Part 77. In the event the aforesaid covenants are breached, Lessor 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 Lessee.
14. Lessee by accepting the Lease expressly agrees for himself/herself/itself and all successors and assigns that Lessee will not make use of the Premises in any manner which might interfere with the landing and taking off of aircraft from the Monterey Regional Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, Lessor reserves the right to enter upon the Premises and cause the abatement of such interference at the expense of Lessee.
15. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).
16. The Lease and all of the provisions thereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of the Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

TO: Michael La Pier, Executive Director
FROM: Scott E. Huber, District Counsel
Mark Wilson, Controller
SUBJ: Resolution No. 1837, A Resolution Authorizing and Approving the Submittal of an Application and Execution of a Loan Agreement with the California Department of Transportation (“Cal Trans”) for the Purchase of the Northside Hangars

BACKGROUND. On January 13, 2023, the Monterey Peninsula Airport District (“MPAD”) approved Resolution No. 1836 to enter into a Commercial Real Estate Purchase Agreement with Monterey Airpark Associates, LLC to purchase New Hangars (comprising 24 Box Hangars and 1 10,000 sq. ft. Corporate Hangar) to be constructed with an anticipated Completion Date of October 31, 2023, on the North Side of the Runway.

The Purchase Price of the new Airport owned Hangars is not to exceed \$7,040,958.

STAFF ANALYSIS. In our analysis of the funding options for the Purchase Price, we evaluated 3 Scenarios:

1. Obtaining a traditional bank loan with Chase Bank. Our conversations with Chase Bank indicated that they could not do a traditional bank loan, secured by the property. While Chase Bank would not give an unconditional approval or denial to our project, the only structure under which they *could* proceed would be to offer a lease-financing contract in the form of a Certificate of Participation (“COP”), where essentially Chase Bank would be the landlord for the hangars and MPAD would make lease payments equivalent to principal and interest repayments. If approved, this COP would require Chase Bank to “grade” MPAD to determine the term of the COP (between 10 and 15 years) and the Prepayment exclusion period, which would be approximately ½ the term of the COP, but no less than 3 years. Interest rates would be based on 10 Yr. Treasuries, plus a spread. Chase would also require MPAD to engage a financial advisory firm (that would probably charge a 1% fee) and Chase Bank would have their own legal fees, which would be a minimum of \$10,000. For all the above reasons, we do not recommend that we pursue this uncertain financing option.
2. Obtaining a Revenue Generating Loan through Cal Trans’ Division of Aeronautics. The Local Airport Loan Program provides discretionary State loans to eligible airports for projects that enhance an airport’s ability to provide general aviation services (hangars, General Aviation (GA) terminals, utilities, GA fueling facilities and Acquisition and Development (A&D) eligible projects, etc.). We believe that MRY meets all of the Sponsor Eligibility requirements and can comply with all the associated Restrictions, Pay-Back and State Audit Requirements under the Cal Trans Local Airport Loan Program.

The terms of the Cal Trans Revenue Generating Loan provide for up to 100% of the cost of the Hangar Project, a 17-year amortization period with no balloon payment, and the loan can be prepaid in part or in full at any time without penalty. MPAD would repay the principal

amount in successive annual payments, plus accrued interest. The interest rate would be fixed for the duration of the loan and would be set at the time of Loan approval to match the latest California General Obligation Bond sale interest rate.

In conjunction with our evaluation of the Cal Trans Revenue Generating Loan, we had a discussion with Brian Gallucci, with PFM's Airport Group, to evaluate the impact, if any, of this financing on MPAD's ability, in the future, to obtain new Revenue Bond financing for the Relocated Terminal Project. In Brian's view this Loan would have no negative impact on any future Revenue Bond financing for the New Terminal, and, given the ability to prepay the Cal Trans Revenue Generating Loan without penalty, we could recommend paying off the Cal Trans Revenue Generating Loan as part of the overall new Revenue Bond financing for the Relocated Terminal.

3. Funding the Project with a combination of the Cal Trans Loan and the use of MPAD Reserves. We recommend that the Purchase Price be funded with MPAD using \$3.3M of its Reserves comprised of (1) what MPAD has already drawn under the CARES Act (\$1.3M) and (2) \$2.0M of additional Reserves and a Cal Trans Revenue Generating Loan in the amount of \$3.741M. The Cal Trans Debt Service will be covered by the anticipated Revenue from the Box Hangars and the Corporate Hangar, net of associated Management Fees.

FISCAL IMPACT. Our first draw on the Cal Trans Loan will be on June 1, 2023; the FY 2023 impact will be additional interest expense of approximately \$2,592 and the impact of the balance of the draws in FY 2024 will be additional interest expense of approximately \$282,187.

RECOMMENDATION. Approve Resolution No. 1837, A Resolution Authorizing and Approving the Submittal of an Application and Execution of a Loan Agreement with the California Department of Transportation for an Airport Loan of approximately \$3.741 Million dollars.

ATTACHMENTS.

Resolution No. 1837
Cal Trans Airport Loan Analysis

RESOLUTION NO. 1837

A RESOLUTION THE MONTEREY PENINSULA AIRPORT DISTRICT BOARD OF DIRECTORS AUTHORIZING THE SUBMITTAL OF AN APPLICATION AND EXECUTION OF AN AGREEMENT WITH THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

WHEREAS, the Monterey Peninsula Airport District (MPAD) owns and operates the Monterey Regional Airport; and

WHEREAS, the Airport Board of Directors hereby authorizes the submittal of an application and execution of an agreement with the California Department of Transportation, for a state airport loan; and

WHEREAS, the California Department of Transportation, pursuant to the Public Utilities Code section 21602, provides loans for the improvement and operation of airports; and

WHEREAS, the California Department of Transportation requires the Board of Directors to adopt a resolution authorizing the submission of an application for a state airport loan.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MONTEREY PENINSULA AIRPORT DISTRICT: that the Board of Directors of the Monterey Peninsula Airport District, Monterey in the State of California:

1. Authorizes filing an application for a state airport loan for this project.
2. Authorizes execution of a Loan Agreement for the project.
3. Certifies the District's ability to repay the state loan for this project; and

BE IT FURTHER RESOLVED: that the Board of Directors of the Monterey Peninsula Airport District does hereby authorize Michael La Pier, Executive Director, or his designee, to sign any documents required to apply for and accept these loan funds on behalf of the Monterey Peninsula Airport District.

I hereby certify the foregoing resolution was introduced and read at the regular meeting of the Board of Directors of the Monterey Peninsula Airport District on the 13th day of January 2023, and the resolution was duly adopted at said meeting by the following vote:

PASSED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE MONTEREY PENINSULA AIRPORT DISTRICT: This 13th day of January 2023 by the following roll call vote:

AYES:	DIRECTORS:
NOES:	DIRECTORS:
ABSTAIN:	DIRECTORS:
ABSENT:	DIRECTORS:

Signed this 13th day of January 2023

Carl M. Miller, Chair

A T T E S T

Michael La Pier, A.A.E.
District Secretary

Cal Trans Airport Loan:

<https://dot.ca.gov/programs/aeronautics/airport-loans>

	SCENARIO A Box Hangars w Corporate Tenant-in-Place \$3.3M Paydown	SCENARIO B Box Hangars w/o Corporate Tenant-in-Place \$3.3M Paydown	SCENARIO C Box Hangars No Corporate Hangar Built \$3.3M Paydown
Hangar Project Acquisition Price:			
Avila Construction Bid	\$ 14,088,701	\$ 14,088,701	\$ 14,088,701
MPAD's Allocation, per Exhibit B	\$ 7,040,958	\$ 7,040,958	\$ 7,040,958
Less: MPAD's Corporate Hangar	-	-	(1,203,373)
	7,040,958	7,040,958	5,837,585
Less:			
CARES Act funds	(1,300,000)	(1,300,000)	(1,300,000)
District Reserve Funds	(2,000,000)	(2,000,000)	(2,000,000)
	(3,300,000)	(3,300,000)	(3,300,000)
Cal Trans Loan	\$ 3,740,958	\$ 3,740,958	\$ 2,537,585
Terms (in Months)	204	204	204
Rate, per CalTrans (on 12.19.2022)	5.08%	5.08%	5.08%
Monthly Payment	(\$27,428)	(\$27,428)	(\$18,605)
Rents:			
Hangars:			
Box Hangar Rents/Month	\$750	\$750	\$750
# of Box Hangars	24	24	24
Box Hangar Monthly Revenue	18,000	18,000	18,000
Less: MAA "Not to Exceed" Management Fee	(2,500)	(2,500)	(2,500)
	15,500	15,500	15,500
T-Hangar Rents/Month	-	-	-
# of T-Hangars	-	-	-
T-Hangar Monthly Revenue	-	-	-
Corporate:			
100x100, 10% improved for Office, Sq. Ft.	10,000	10,000	-
Market Rate, estimated, per sq.ft./month	\$ 1.25	-	\$ -
Corporate Hangar Monthly Revenue	12,500	-	-
Total Rental Income	\$ 28,000	\$ 15,500	\$ 15,500
Monthly Cash Flow Surplus (Deficit)	\$ 572	\$ (11,928)	\$ (3,105)
Comparison: Scenario A vs. Scenario B	\$ 12,500	<i>Per Month</i>	
Comparison: Scenario A vs. Scenario C	\$ 3,677	<i>Per Month</i>	