

LEASE AGREEMENT BETWEEN THE CITY OF CORPUS CHRISTI

AND

STERLING AIR SERVICE

This lease agreement (the "Lease") is made by and between the City of Corpus Christi ("City"), acting by and through its City Manager or his designee ("City Manager"), and Sterling Air Service, LLC ("Lessee"), a Texas limited liability company.

WHEREAS, the City owns the Corpus Christi International Airport ("Airport") located in the city of Corpus Christi, Nueces County, Texas, and has authority to lease land and improvements at the Airport;

WHEREAS, the Airport is managed by the Director of Aviation ("Aviation Director");

WHEREAS, the parties desire to enter into this Lease for land and improvements, to include use of office space, hangar space, and parking spaces for the purpose of facilitating the provision of Lessee's aeronautical services; and,

NOW, THEREFORE, in consideration of the terms, conditions, and mutual covenants contained in this Lease, the Parties agree as follows:

Section 1. Premises. City leases to the Lessee the real property and existing improvements as depicted in the attached **Exhibits A and B** ("Premises"), such exhibits being incorporated by reference into this Lease, and physically located at 514 Hangar Lane, Corpus Christi, Nueces County, Texas. The Premises is generally described as follows: approximately 2,000 square feet of office space; approximately 5,000 square feet of hangar space; and approximately 7991 square feet including 10 parking spaces of uncovered parking located closest to the office space. The Premises is designated and known, for the sole purpose of locating and identifying the leased area granted by this instrument, as the "Sterling Air Service Facility."

Section 2. Term. The term of this Lease is for one year and six months and commences upon final approval by the City's City Council and execution of this instrument by the City Manager ("Effective Date"). The term may be extended by mutual consent on a month-to-month basis not to exceed 18 months unless written notice is provided by either party to the other at least 60 days prior to the expiration of the then-current occupancy term.

Section 3. Intentionally deleted.

Section 4. Rent.

A. So long as Lessee continually uses the entire Premises solely for Lessee's aeronautical use, annual rent for the Premises is as shown in **Exhibit B**, with the initial monthly payment being due on the Effective Date of this Lease and subsequent rental payments of 1/12th the annual amount due on the 1st of each month following the expiration of the initial month of the Lease. Lessee may choose to pay the rent due for the term in advance at any time. Notwithstanding the rent rates set out in Exhibit B, the rent amounts are subject to adjustment under subsections B and C of this section.

B. Rental rates for all Airport real properties are adjusted on a five-year cycle and based on a fair market appraisal conducted by the City. The next appraisal is scheduled to be completed on or about November 18, 2016. The City reserves the right to adjust the rent in accordance with its adopted policy or Federal Aviation Administration ("FAA") requirements. For purposes of determining the fair market value by appraisal, the values determined by the appraiser will be final.

C. Adjusted rental rates are effective sixty (60) days from completion of the final appraisal.

D. Notwithstanding Section 12 of this Lease, Lessee has agreed to repair the roof of the Premises within the first month of occupancy. Repair costs are presently unknown but estimated to be approximately \$11,626. Should roof repairs exceed \$12,000, Lessee must obtain advance approval from the Aviation Director prior to incurring any additional costs related to the roof. If roof repairs are completed by Lessee, the City agrees to abate monthly rent payments in lieu of City reimbursement until final cost of repairs are recovered by Lessee.

E. If Lessee desires to make additional repairs affecting the structural integrity of the Premises in lieu of the monthly rent amount due, Lessee must make an advance request prior to any work being performed and provide justification in writing, along with a written estimate, to the Aviation Director for written approval.

Section 5. City and Lessee Representatives. The City Manager designates the Aviation Director as agent to receive all rent, notices, and reports due under this Lease. The contact person for the Lessee is Shawn Morgan.

Section 6. Use of Premises.

A. Lessee shall have the right to use and occupy the Premises solely for the operation of Lessee's aeronautical services and shall use the Premises for no other purpose without the express written consent of the Aviation Director.

B. Lessee may not use or occupy, permit the Premises to be used or occupied, nor do or permit anything to be done in, on, or at the Premises in a manner that would, in any way, void or make voidable any insurance then in force with respect to the Premises or operations at the same or that would make it impossible to obtain the insurance required to be furnished by Lessee under this Lease.

C. Lessee will not make any unlawful use of the Premises nor permit any unlawful use thereof and will not commit, or permit anyone else to commit, any act which is a nuisance or annoyance to the City or adjacent property owners or tenants, or which might, in City's sole judgment, appreciably damage City's goodwill or reputation or tend to injure or depreciate the value of the Premises or any improvements located thereon.

D. City Temporary Use. Lessee acknowledges that the City reserves the right to temporarily use the Premises, at no cost to the City, as a pre- or post-emergency evacuation, storage, or operations facility if deemed necessary by the City Manager. The Lessee also agrees to allow the City to temporarily use the Premises for special events as may be requested in advance and in writing by the Aviation Director.

E. City is not required to make any expenditure nor incur any obligation or liability of any kind whatsoever in connection with the financing, construction, maintenance, or repair of the Premises.

F. Partial Destruction. If the Premises is partially damaged due to acts of God, fire, or other casualty to the extent that Lessee cannot use that portion of the Premises for its intended purpose, then, at Lessee's option, this Lease may be suspended or terminated until the damage is repaired. If the Lease is suspended, Lessee and City will mutually agree on a time period for Lessee to repair the damages to the Premises. If the Lease is terminated, the rent will be abated from the date of the casualty, provided, however, that Lessee must use its insurance proceeds to repair or replace the damaged Premises. Any remaining insurance proceeds after all repair costs have been expended and the Premises restored will be paid to Lessee. The City Manager is the sole judge of the extent of damage to the Premises.

Section 7. Parking. Parking space is available adjacent to the office space, is as shown in Exhibit B, on an exclusive basis and may be used for parking cars and other passenger motor vehicles used by the Lessee and its customers, guests, and patrons and persons or companies doing business with Lessee. Lessee acknowledges that use of the parking space shall fully comply with all of the Airport's rules and regulations for parking and vehicle usage at the Premises and adjacent parking areas and shall require users, customers, patrons, and guests of Lessee to do so as well.

Section 8. Signs. Lessee may install City ordinance compliant signs on the Premises at its sole cost; provided, however, that the Lessee has obtained the Aviation Director's prior written consent as to the size, type, design and location of these signs or other corporate identification, which consent shall not be unreasonably withheld or delayed.

Section 9. Right to Amend. If the FAA or its successor agency requires modifications or amendments to this Lease as a condition precedent to the granting of funds to the City for Airport improvements, Lessee agrees to consent to the modifications or amendments to the Lease as may be reasonably required, provided, however, Lessee will not be required to pay any increased rent, change the use of the Premises, or accept a relocation or reduction in size of the Premises until Lessee and Airport have fully executed an amendment to this Lease that is mutually satisfactory to both parties regarding any terms or conditions of this Lease affected by said actions of the FAA.

Section 10. Subordination to US/FAA Requirements. This Lease is subordinate to the provisions of any existing or future agreement between the City, acting through the Airport, and the United States of America relating to the operation or maintenance of the Airport, where the execution of said agreement(s) is required as a condition to the expenditure of federal funds for the development of the Airport. If the effect of said agreement(s) with the United States, either under this Section 10 or under Section 9 above, is to remove any or all of the Premises from the control of Airport or to substantially destroy the value of the Premises, then this Lease shall terminate immediately without any further obligation on part of City to Lessee.

Section 11. Development of Improvements.

A. Lessee shall not construct improvements upon the Premises without the prior written approval of the Aviation Director and the City's Director of Engineering Services. Where required by law, approval of the City is subject to the concurrence of the FAA. Any additional

improvements must substantially comply with the plans and specifications approved by the City and FAA, if applicable.

B. The parties acknowledge that the City has plans to construct improvements adjacent to the Premises that might include office spaces, hangars, wash racks, and self-fueling tank areas but makes no claims or promises as to size or completion date of the improvements.

C. ANY APPROVALS BY CITY UNDER THIS ARTICLE INCLUDING, BUT NOT LIMITED TO, APPROVALS OF PLANS AND SPECIFICATIONS, INSPECTION OF WORK, DESIGN, OR CONSTRUCTION ARE NOT TO BE CONSTRUED AS A REPRESENTATION, WARRANTY, OR STATEMENT AS TO THE QUALITY, SOUNDNESS, OR SAFETY OF THE DESIGN AND CONSTRUCTION OF ANY OF THE IMPROVEMENTS (INCLUDING, WITHOUT LIMITATION, THE EXISTING IMPROVEMENTS) OR FACILITIES RELATED THERETO.

D. When required by the City, Lessee will furnish to the City two sets of complete plans and specifications for improvements proposed to be placed or constructed on the Premises, and no work will be done without prior written approval of such plans by the City, acting through its Aviation Director and its Director of Engineering Services.

E. Upon termination of this Lease, ownership of the improvements constructed by Lessee on the Premises reverts to the City free and clear of all liens, claims, and other encumbrances or adverse interest in the Premises or the Improvements located thereon.

Section 12. Lessee's Repair and Maintenance Obligations.

A. Premises. Lessee, at its own expense, shall maintain the Premises and improvements in good appearance and in a first-class, safe condition. Lessee shall maintain all leasehold improvements on the Premises (including, without limitation, parking lots, sidewalks, roofs, walls, partitions, floors, ceilings, windows, doors, and glass, and all furnishings, fixtures, and equipment therein). Lessee shall provide janitorial service and maintenance to keep the interior and exterior of the Premises and improvements in a clean, attractive, and sanitary condition at all times. Any landscaping must be well-maintained and kept in a neat and tidy condition by the Lessee. Lessee shall repair any and all damage caused to real and personal property of City occurring on the Premises as a result of the willful or negligent acts or omissions of Lessee, its officers, employees, agents, guests, or invitees.

B. Quality of Maintenance. It is the intent of the City and Lessee that the Premises and improvements will be repaired and maintained in a manner that shall keep the Improvements intact, in good repair, and in a condition so that said Improvements will be usable at the end of the Lease. Lessee must comply with the maintenance obligations and with all-applicable governmental laws, rules, or regulations. The Aviation Director is the sole judge of the quality of Lessee's maintenance, which must be reasonable and consistent with other properties. The Aviation Director may at any time, during City's normal business hours, upon prior notice unless an emergency exists, enter upon the Premises to determine if the maintenance requirements of this Lease are being complied with by Lessee. The Aviation Director must notify Lessee in writing of any default in maintenance or repair. If the required maintenance or repair in the Aviation Director's notice to Lessee is not commenced within 10 business days after receipt of such written notice, or is not diligently prosecuted to completion, the Aviation Director may, but is not obligated to do so, enter upon the Premises and perform the subject maintenance or repair. Lessee agrees to reimburse the Airport for its cost plus a 15% administrative fee within 30 days after the Aviation Director's written demand therefore,

together with copies of all paid receipts for such repairs and maintenance. Lessee will develop, within 30 days of execution of this Lease, a preventative maintenance plan regarding the improvements and provide a copy to the Aviation Director.

C. Correct Hazards. Lessee must immediately correct or cause to be corrected any hazardous or potentially hazardous condition on the Premises upon knowledge thereof, or after receipt of notice from the Aviation Director. At the Aviation Director's reasonable discretion, the operations in the Premises, or affected portion of the Premises, may be restrained or stopped until the hazardous or potentially hazardous condition is removed or corrected.

Section 13. Security. Lessee, its officers, employees, agents, contractors, and invitees must comply with all applicable federal and local security regulations, as the same may be amended. **To the extent allowed by law, Lessee covenants to indemnify and hold harmless City, its officers, and employees from any charges, fines, or penalties that may be assessed or levied by the FAA or Transportation Security Administration by reason of the negligent or intentional failure of Lessee, its officers, employees, agents, contractors, or invitees to comply with security regulations, regardless of whether the fine, charge, or penalty is levied against the City or the Lessee.**

Section 14. CFR Part 77 Requirements. Lessee covenants to comply with the notification and review requirements set out in Part 77 of the FAA Regulations 14 CFR Part 77, as amended, if Lessee plans to construct or modify any structure, antenna, or building located on the Premises or to be constructed on the Premises as an Improvement.

Section 15. Control of Structures. Lessee shall not erect nor permit the erection of any structure, antenna, or building, nor permit the growth of any tree on the Premises, which has its highest point above a mean sea level elevation established by FAA and the City as a height limitation on said structure, antenna, building, or object. The City may enter the Premises and remove the encroaching structure, antenna, building, or object without notice and at Lessee's expense plus an additional administrative charge of 15%.

Section 16. Aerial Approaches. The Aviation Director may take any action necessary to protect the Airport's aerial approaches against obstruction, including the right to prevent Lessee from erecting or permitting to be erected any building or structure on or adjacent to the Airport which, in the Aviation Director's opinion, would limit the usefulness of the Airport or constitute a hazard to aircraft.

Section 17. Hazardous Substances and Materials.

A. For the purposes of this Lease, "hazardous substance or material" means and refers to one or more of the following:

- 1) Asbestos;
- 2) Any substance, material or waste defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act (42 U.S.C. Section 6901, et. seq.);
- 3) Any substance, material or waste defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601, et. seq.);

4) Any substance, material or waste defined as a "regulated substance" pursuant to Subchapter IX of the Solid Waste Disposal Act (42 U.S.C. Section 6991, et. seq.); and

5) Any substance, material or waste which is reasonably considered by the City to pose an actual or potential threat to persons or property in, around, or on the Premises.

B. Lessee shall comply with all environmental laws, rules, regulations, orders and permits applicable to the use of the Premises and improvements including, but not limited to, required National Pollutant Discharge Elimination System Permits and all applicable laws relating to the use, storage, generation, treatment, transportation, or disposal of hazardous or regulated substances. Except for the hazardous substances governed by and transported in full compliance with the transportation laws of the state or federal government, Lessee must not knowingly use, store, generate, treat, transport, or dispose of any hazardous or regulated substances, materials, or waste on or near the Premises without the Aviation Director's prior written approval and without first obtaining all required permits and approvals from all authorities having jurisdiction over the operations conducted on the Premises. No fuel storage tanks shall be located or permitted on the Premises.

C. If Lessee determines that a threat to the environment including, but not limited to, a release, discharge, spill or deposit of a hazardous substance or regulated substance has occurred or is occurring which affects or threatens to affect the Premises or the persons, structures, equipment, or other property upon the Premises or the Airport, Lessee must immediately notify by oral report in person or by telephone, to be promptly confirmed in writing, the Aviation Director as required by law or regulation. Lessee must cooperate fully with the Aviation Director in promptly responding to, reporting, and remedying a threat to the environment including, without limitation, a release or threat of release of a hazardous or regulated substance into the drainage system, soil, ground or surface water, waters, or atmosphere in accordance with applicable law or as authorized or approved by any federal, state, or local agency having authority over environmental matters.

D. Lessee shall keep a readily accessible file of Materials Safety Data Sheets ("MSDS") for each hazardous material or substance on the Premises or transported, in accordance with federal and state transportation laws, which file must be posted and immediately available to any Airport employee who responds to a report of a discharge of a hazardous substance or material on the Premises. Lessee will require any operator of the facilities on the Premises to use best efforts to determine which hazardous substance or material was accidentally discharged and ensure that the MSDS sheet is available for the first responders to the Premises.

E. Lessee will cause prompt remediation and the payment of all costs associated with any action or inaction of Lessee that directly or indirectly prevents the City, acting through the Airport, from materially conforming to all then applicable environmental laws, rules, regulations, orders, or permits relating to the Premises. The rights and obligations set forth in this section shall survive the expiration or earlier termination of this Lease.

F. Lessee shall furnish to the Aviation Director, within five days of receipt by Lessee, copies of any and all notices or correspondence directed to Lessee or any other party at the Premises from any governmental entity, other entity, or person indicating a violation or possible violation of any laws, rules, or regulations including, without limitation, any law, rule, or regulation regarding hazardous materials or substances (as such term is defined in this Lease).

Section 18. Nondiscrimination/Affirmative Action.

A. Nondiscrimination—General. Lessee for itself, and as a requirement for any sublessee, their personal representatives, successors in interest, and assigns, as a part of the consideration hereof covenants that: (1) no person on the grounds of race, creed, color, religion, sex, age, national origin, handicap, or political belief or affiliation will be excluded from participation in, denied the benefits of or otherwise be subjected to discrimination in the use of the Premises; (2) 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, religion, sex, age, national origin, handicap, or political belief or affiliation will be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination; (3) Lessee will cause to the best of its ability the Premises and Improvements to be in compliance with all other requirements imposed by or pursuant to 14 CFR Part 152, Subpart E Non Discrimination in Aid Program and Title VI of the Civil Rights Act of 1964 and 49 CFR, Subtitle A, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Title and Regulations may be amended, and with other applicable state or federal laws or regulations, as amended.

B. Nondiscrimination—Business Owner. This agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR Part 23. The concessionaire or contractor (Lessee) agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, or sex in connection with the award or performance of any concession agreement, management contract, or subcontract, purchase or lease agreement, or other agreement covered by 49 CFR Part 23. The concessionaire or contractor (Lessee) agrees to include the above statements in any subsequent concession agreement or contract covered by 49 CFR Part 23 that it enters and causes those businesses to similarly include the statements in further agreements.

C. Remedy for Breach. If the Lessee is found by a final verdict of a court of competent jurisdiction to have deliberately breached a non-discrimination covenant, or to have permitted any sublessee to deliberately breach a non-discrimination covenant, the City may immediately enforce the remedies directed by the Court's decision, which may include the City's right to reenter the Premises, retake possession thereof, and terminate the Lease. This provision is not effective until the procedures of Title 49, Code of Federal Regulations, Part 21 are completed, including exercise of any rights to appeal.

D. Affirmative Action. Lessee shall cause to be implemented an affirmative action program as required by 14 CFR Part 152, Subpart E, to provide (i) that no person on the grounds of race, creed, color, religion, sex, age, national origin, handicap, or political belief or affiliation is excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E; (ii) that no person will be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by that subpart; (iii) that third parties otherwise retained by Lessee shall provide similar assurances to Lessee to undertake affirmative action programs and to require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E. Lessee, at no expense to the City, shall comply with any applicable requirements of the Americans with Disabilities (ADA) as it may be amended, with respect to the Premises and its improvements.

Section 19. Compliance with Laws.

A. General. Lessee covenants to promptly observe, comply with and execute, and shall cause any sublessee to promptly observe, comply with and execute, the provisions of any and all present and future governmental laws, ordinances, rules, regulations, requirements, orders and directions applicable to the use and occupancy of the Premises. A material breach of this covenant, which is not remedied within any permitted cure period, may be cause for City's exercising its rights under the Lease. During any period of Lessee's good faith challenge to any such laws, ordinances, rules, regulations, requirements, orders and directions in a court of competent jurisdiction, Lessee's inaction shall not be deemed a breach of this Lease.

B. Federal. Lessee shall comply and shall require any sublessee to comply with all applicable federal laws, rules, and regulations including, without limitation, the Drug Free Workplace Act, the Violence in the Workplace Act, the Americans with Disabilities Act, and any other acts the U.S. Congress passes that apply to the uses and operations at the Premises.

C. State. Lessee shall comply with all applicable laws, rules, and regulations of the State of Texas.

D. Local. Lessee shall comply with all applicable City ordinances, and rules and regulations promulgated by the Aviation Director.

Section 20. Acceptance of Premises Disclaimer.

LESSEE ACKNOWLEDGES THAT IT IS LEASING THE PREMISES "AS IS" WITH ALL FAULTS INCLUDING, BUT NOT LIMITED TO, ANY AND ALL POLLUTANTS, ASBESTOS, UNDERGROUND STORAGE TANKS, AND ANY OTHER HAZARDOUS MATERIALS AS MAY EXIST ON THE PREMISES AND THAT NEITHER CITY NOR ANY EMPLOYEE OR AGENT OF CITY HAS MADE ANY REPRESENTATIONS OR WARRANTIES AS TO THE CONDITION OF SUCH PREMISES. LESSEE ACKNOWLEDGES AND AGREES THAT LESSEE HAS BEEN PROVIDED, TO ITS SATISFACTION, THE OPPORTUNITY TO INSPECT THE PREMISES FOR ANY DEFECTS AS TO THE SUITABILITY OF SUCH PROPERTY FOR THE PURPOSE TO WHICH LESSEE INTENDS TO PUT THE PREMISES AND IS RELYING ON ITS OWN INSPECTION. THIS LEASE IS SUBJECT TO ALL COVENANTS, EASEMENTS, RESERVATIONS, RESTRICTIONS, AND OTHER MATTERS OF RECORD AND NOT OF RECORD APPLICABLE TO THE PREMISES.

Section 21. Fiscal Year. By execution of this Lease, Lessee acknowledges that the continuation of any contract after the close of any fiscal year of the City, which fiscal year ends on September 30 annually, is subject to budget approval and sufficient appropriations by the City Council for such contract item as an expenditure in the next fiscal budget. The City does not represent nor warrant to Lessee that a budget item providing for this Lease in any future fiscal budget will be actually adopted, as that determination is within the sole discretion of the City Council at the time of adoption of each fiscal budget.

Section 22. City's Obligations.

A. City agrees to operate the Corpus Christi International Airport as a public airport during the term of this Lease, subject to the assurances given by the City to the United States Government.

B. In exchange for Lessee's promise to maintain the Premises, the City agrees to make water and wastewater services available to the Premises property line on the same basis as it is made available to all businesses operating at the Airport. Lessee must procure and pay for all utility usage, such as gas, wastewater, cable, Internet, and telephone charges, that are supplied to the Premises during the term of the Lease as the charges become due and payable. IN NO EVENT WILL THE CITY BE LIABLE FOR ANY INTERRUPTION OR FAILURE IN THE SUPPLYING OF ANY UTILITIES TO THE PREMISES, INCLUDING THOSE WHICH THE CITY HAS AGREED TO FURNISH.

C. The City shall provide reasonable notice if ingress and egress to the Premises will be interrupted due to maintenance. If City causes Lessee's ingress or egress to be interrupted for more than 24 hours, the City will consider rent reduction for days of non-use.

Section 23. Insurance. Lessee must provide insurance in the amounts and types of coverages required by the City's Risk Manager or the Risk Manager's designee ("Risk Manager") as are set out in the attached **Exhibit C**, the content of which is incorporated into this Lease as if set out herein in its entirety. Lessee must cause certificate(s) of insurance to be provided to the Aviation Director and Risk Manager not less than 30 days prior to the annual anniversary date of the Effective Date of this Lease. The Risk Manager will annually assess the level and types of insurance required by the Lessee. The Risk Manager may increase or decrease the level or types of insurance by giving Lessee notice not less than 60 days prior to the annual anniversary date of the Effective Date of the Lease. Lessee shall have 30 days to procure the changed insurance and provide written proof of insurance to the Aviation Director and Risk Manager.

Section 24. Indemnification.

A. LESSEE SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND THE CITY OF CORPUS CHRISTI AND ITS OFFICERS, EMPLOYEES, REPRESENTATIVES, AND AGENTS (COLLECTIVELY, "INDEMNITEES") FROM AND AGAINST ANY AND ALL LIABILITY, LOSS, CLAIMS, DEMANDS, LIENS, JUDGMENTS, FINES, PENALTIES, AWARDS, LAWSUITS, CAUSES OF ACTION, AND EXPENSES OF ANY NATURE WHATSOEVER INCLUDING, BUT NOT LIMITED TO, STRICT LIABILITY CLAIMS AND ALL EXPENSES OF LITIGATION (INCLUDING MEDIATION AND ARBITRATION), COURT COSTS, REASONABLE ATTORNEYS' FEES, AND EXPERT WITNESS FEES, ON ACCOUNT OF PERSONAL INJURIES (INCLUDING WORKERS' COMPENSATION AND DEATH CLAIMS), PROPERTY LOSS OR DAMAGE, OR ANY OTHER KIND OF DAMAGES, WHICH ARISE OR ARE CLAIMED TO ARISE OUT OF OR IN CONNECTION WITH THIS LEASE OR THE PERFORMANCE OF THIS LEASE, REGARDLESS OF WHETHER THE INJURIES, DEATH, OR DAMAGES ARE CAUSED OR ARE CLAIMED TO BE

CAUSED BY THE CONCURRENT OR CONTRIBUTORY NEGLIGENCE OF INDEMNITEES, BUT NOT IF BY THE SOLE NEGLIGENCE OF INDEMNITEES UNMIXED WITH THE FAULT OF ANY OTHER PERSON OR PARTY. LESSEE MUST, AT ITS OWN EXPENSE, INVESTIGATE ALL CLAIMS AND DEMANDS, ATTEND TO THEIR SETTLEMENT OR OTHER DISPOSITION, DEFEND ALL ACTIONS BASED THEREON WITH COUNSEL SATISFACTORY TO INDEMNITEES, AND PAY ALL CHARGES OF ATTORNEYS AND ALL OTHER COSTS AND EXPENSES OF ANY KIND ARISING FROM OR OUT OF ANY OF SAID LIABILITY, LOSS, CLAIMS, DEMANDS, SUITS, CAUSES OF ACTION, OR DAMAGES. THE INDEMNIFICATION OBLIGATIONS OF LESSEE UNDER THIS SECTION SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.

B. Notice of Claim or Action. Notwithstanding the above indemnifications, Lessee must give the Aviation Director and Risk Manager written notice of any accident or other matter covered under this section and forward to the Aviation Director and Risk Manager copies of every notice, demand, claim, summons, or other process communication received within 10 days of Lessee's receipt of same.

Section 25. Assignment and Sublease.

A. Lessee shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest, or grant any concession or license within the Premises without the express prior written consent of the City, such consent being within the sole discretion of the City, and any attempt to do any of the foregoing shall be void and of no effect. In the event of any such assignment or sublease, attempted assignment or sublease, or should Lessee, in any other nature of transaction, allow or attempt to allow anyone to occupy the Premises or any portion thereof, City shall upon such occurrence have the right and option to terminate and cancel this Lease effective upon 10 days written notice to Lessee given by City at any time thereafter, and City may terminate and cancel either as to the entire Premises or as to only the portion thereof which Lessee assigned, subleased, attempted to assign or sublease, or otherwise allowed some other party's occupancy. Lessee shall be liable for payment of the fair market value of rents for the portion of the Premises used without consent of the City, such fair market value to be determined by resort and review of the Airport's current property appraisal report. In the event the City elects to terminate this Lease as to the aforesaid portion of the Premises, then the rent as to the remainder of the Premises may thereafter be reduced as appropriate and as determined by the City. This prohibition against assigning, subletting, attempting to assign or sublet, and allowing or attempting to allow occupancy by another without the City's consent is to be construed to include a prohibition against any assignment, subletting, or occupancy by operation of law.

B. In any case where the City consents to a sublease of the leasehold, Lessee will remain liable for the performance of all terms, conditions, covenants, duties, and obligations of this Lease including, without limitation, the obligation to pay any and all sums required by this Lease to be paid and faithful adherence and performance of all indemnity provisions provided in this Lease.

Section 26. Termination.

A. Termination by Lessee. Without limiting any other rights and remedies to which Lessee may be entitled by common law, statutory law, or as elsewhere provided in this Lease, this Lease may be terminated by Lessee at any time upon the occurrence of one or more of the following events:

- 1) The City's permanent abandonment of the Airport;
- 2) The lawful assumption by the U. S. Government, or any authorized agency thereof, of the operation, control, or use of the Airport, or of any substantial part or parts thereof, which substantially restricts the Lessee from operating at the Premises for a minimum of 180 calendar days;
- 3) The issuance by any court of competent jurisdiction of an injunction that prevents or restrains the use of the Airport or the Premises that continues for at least 180 days; or
- 4) The default by the City in the performance of any covenant or obligation to be performed by the City and such failure to remedy the default continues for a period in excess of 60 days after receipt from Lessee of written notice to remedy the same.

B. Termination by City. Without limiting any other rights and remedies to which City may be entitled at common law, statutory law, or as elsewhere provided in this Lease, this Lease may be terminated by the City if Lessee:

- 1) Is in arrears in paying the rent, fees, or other charges due under the Lease for 10 business days after written notice;
- 2) Becomes insolvent; takes the benefit of any present or future insolvency statute; makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy or a petition or answer seeking a reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or under any other law or statute of the United States or of any state thereof; or consents to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property;
- 3) Has a petition filed under any part of the federal bankruptcy laws, or an action sought under any present or future insolvency law or statute, against Lessee and which is not dismissed within 30 days after the filing date;
- 4) Abandons the Premises ["abandon" shall mean failing to use the Premises for aeronautical activities and services as defined in current FAA Order 5190.6B *FAA Airport Compliance Manual*] for a period in excess of 90 days; or
- 5) Otherwise defaults in the performance of any of other material covenant of this Lease and continues the default for thirty (30) days, or such other time as may be provided herein, after receipt of written notice from the Aviation Director of the default. If the default cannot reasonably be cured within said 30 days or within any other time as set out in the notice of default, Lessee shall not be deemed in default if Lessee commences the remedy process within the applicable period and thereafter diligently prosecutes the same to completion within a reasonable time period as agreed to by the Aviation Director; otherwise, Lessee will be determined to be in default.

C. City's Right to Entry upon Termination. If the Lease is terminated, the City may enter upon the Premises. In the event of termination, the Aviation Director may enter onto the Premises to remove any and all persons or property from the Premises and place any property in storage for the account of and at the expense of Lessee. **Excluding personal property provided at the Premises by the City which forms part of the granted use under this Lease, all personal property on the Premises is hereby subjected to a contractual landlord's lien to secure payment of delinquent rent and other sums due and unpaid under this Lease, any and all exemption laws are hereby expressly waived in favor of said landlord's lien; and it is agreed that said landlord's lien is not a waiver of any statutory or other lien given, or which may be given, to City but is in addition thereto.** In the case of termination by either party, if Lessee fails to remove any of its furniture, fixtures, equipment, or other personal property from the Premises within ten (10) days following the termination of this Lease, Aviation Director may, at his option, take title to said personal property, remove the same, and sell the property found on the Premises at a public or private sale with proceeds of the sale applied first to the cost of the sale, then to the cost of storage of the property, if any, and then to the indebtedness of Lessee, with the surplus, if any, to be mailed to Lessee at the address herein designated. **To the extent allowed by law, Lessee further agrees to hold harmless and indemnify City, including its officers, agents, and employees, against, from any loss or damage or claim arising out of City's action in collecting monies owed to it under this paragraph, except for any loss, damage, or claim caused by the gross negligence or willful misconduct of City or its employees.**

D. Notice of Termination. If an event of material default occurs, and after due written notice identifying the default the defaulting party has failed to cure or failed to commence to cure, the complaining party may at any time after the expiration of any such cure period terminate this Lease by providing written notice of termination to the defaulting party. The Lease will be terminated on the date specified in the notice but not sooner than 10 business days after the postmarked date of the notice.

E. Improvements Revert to City. Except for the right of Lessee to remove personal property at the expiration of the Lease, ownership of all improvements placed or constructed on the Premises by Lessee revert to the City upon the expiration or earlier termination of this Lease.

Section 27. Re-delivery of Premises. Upon the expiration or earlier termination of this Lease, Lessee shall deliver the Premises to the City peaceably, quietly, and in as good condition as the same now are or may be hereafter improved by Lessee or City, normal use and wear excepted.

Section 28. Holdover. Any holding over by Lessee of the Premises after the expiration of this Lease will be on a month-to-month tenancy at sufferance not to exceed 18 months, at the then current monthly rent and subject to surrender upon 30 days' prior written notice. Failure to timely surrender the Premises following such written notice subjects Lessee to a monthly holdover fee of 125% of the then fair market value for the Premises.

Section 29. Notices.

A. With the exception of immediate notices to be provided to the City under the hazardous materials/substances provision of Section 17 and the indemnification provisions of Section 24 of this Lease, all notices required to be sent under this Lease are deemed sufficient if in writing and sent by certified mail, return receipt requested, postage prepaid, or by overnight delivery service with proof of delivery, or delivered in person, and as properly addressed below:

If to City: Director of Aviation
Corpus Christi International Airport
1000 International Drive
Corpus Christi, TX 78406

If to Lessee: Sterling Air Service, LLC
514 Hangar Lane
Corpus Christi, TX 78406

B. Either party may change the address to which notice must be addressed under this section by providing the other party with notice of the new address under any of the methods set out in this section.

Section 30. Disclosure of Interest. The City's Code of Ordinances, Section 2-349, as amended, requires all persons seeking to do business with the City to complete and provide a "Disclosure of Interest" form of the type attached to this Lease as **Exhibit D**. The content of the completed Exhibit D by Lessee is incorporated into this Lease by reference as if fully set out in this section. Lessee is obligated to provide an updated Disclosure of Interest should any information submitted in Exhibit D and incorporated into this Lease by reference change during the pendency of this Lease for approval by the City Council and prior to the City's execution of the same.

Section 31. General Provisions.

A. Mineral Rights. The City expressly reserves all water, gas, oil, and mineral rights in and under the soil beneath the Premises in which it holds an interest and reserves the right to conduct or provide for testing and removal of any such City-owned water, gas, oil, or minerals from the Premises.

B. No Waiver of Forfeiture. Any failure or neglect of the City or Lessee at any time to declare a forfeiture of this Lease for any breach or default whatsoever hereunder does not waive City's or Lessee's right thereafter to declare a forfeiture for like or other or succeeding breach or default.

C. Force Majeure. Neither City nor Lessee will be deemed to be in breach of this Lease if either is prevented from performing any of its obligations under this Lease by reason of force majeure. "Force Majeure" for the purposes of this Lease means any prevention, delay, or stoppage due to strikes, lockouts, labor disputes, acts of God to include severe inclement weather and sustained periods of rain or snow, civil commotion, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform and claiming the force majeure. All of the foregoing events excuse the performance by either party for a period equal to any prevention, delay, or stoppage, including the obligations imposed with regard to commencement or payment of rental and other charges to be paid by Lessee pursuant to this Lease and the obligation of City to deliver the Premises.

D. Rules and Regulations. Lessor has adopted minimum operational standards ("Minimum Standards") and rules and regulations ("Rules and Regulations"), which shall govern Lessee in the use of the Premises and all common facilities, a copy of each of which has been furnished to the Lessee and are incorporated herein by reference. Lessee agrees to comply fully at all times with these governing documents. Lessor, in its sole discretion, shall have the right to amend, modify, and alter these Minimum Standards and Rules and Regulations from

time to time in a reasonable manner and may introduce other regulations as deemed necessary for the purpose of assuring the safety, welfare, convenience, and protection of property of Lessor, Lessee, and all other tenants and customers of the Airport; provided, however, that Lessor shall give Lessee reasonable advance notice of any such amendments, modifications, or alternations of the Minimum Standards and Rules and Regulations.

E. Venue. Venue for any action brought under this Lease lies in Nueces County, Texas, where the Lease was executed and will be performed.

F. No Third Party Benefit. No provision of this Lease creates a third party claim against the City or the Lessee beyond that which may legally exist in the absence of any such provision.

G. Permits, Licenses, and Taxes. Lessee shall procure all permits and licenses, pay all charges, fees, and taxes including, but not limited to, all payroll taxes, Medicare taxes, FICA taxes, unemployment taxes, and all other related taxes according to Internal Revenue Circular E "Employer's Tax Guide," Publication 15, as it may be amended, and give all notices and respond to all communications that are necessary and incident to the due and lawful conduct of business at and occupancy of the Premises by Lessee. Lessee must provide proof of payment of any tax within 10 days after the City Manager's written request for the same.

H. Trash and Refuse. Lessee must arrange for the collection and lawful disposal of all trash and other refuse resulting from operations on the Premises; must provide and use suitable, sealed fireproof receptacles approved by the Aviation Director for all trash and other refuse generated by the use of the Premises; must prohibit the piling of boxes, barrels, or other similar items in or within view from a public area; and must pay, or cause to be paid, the costs associated with trash removal and disposal.

I. Delegation. Any obligations of the Lessee required by this Lease may be delegated to any approved sublessee by the terms of the sublease agreement between the parties, provided, however, that any such delegation shall not relieve Lessee of its liability, responsibilities, and obligations under this Lease.

J. Publication. Lessee must pay all newspaper publication costs, if any, for this Lease as required by the City Charter.

(EXECUTION PAGE FOLLOWS)

EXECUTED IN DUPLICATE ORIGINALS this _____ day of _____, 2015

ATTEST:

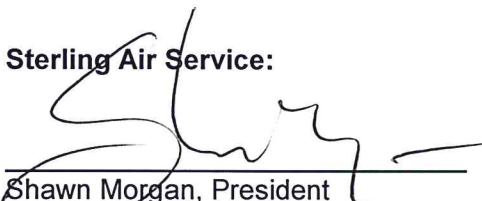
CITY OF CORPUS CHRISTI

Rebecca Huerta
City Secretary

Ronald L. Olson
City Manager

Approved as to legal form:

Elizabeth Hundley, Assistant City Attorney
for Miles Risley, City Attorney

Sterling Air Service:


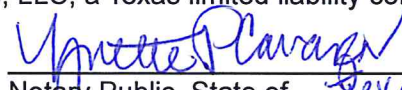
Shawn Morgan, President
Date: 7/8/2015

ACKNOWLEDGMENT

STATE OF Texas §
COUNTY OF Queen §

KNOW ALL BY THESE PRESENTS:

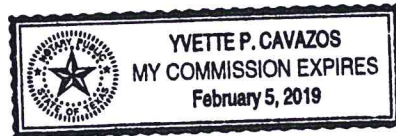
This instrument was acknowledged before me on July 8th, 2015, by Shawn Morgan, President, on behalf of Sterling Air Service, LLC, a Texas limited liability company.



Notary Public, State of Texas

ATTACHED AND INCORPORATED BY REFERENCE:

- Exhibit A – Aerial Depiction of Premises
- Exhibit B – Layout and Lease Rates of Premises
- Exhibit C – Insurance Requirements
- Exhibit D – Disclosure of Interests, completed form





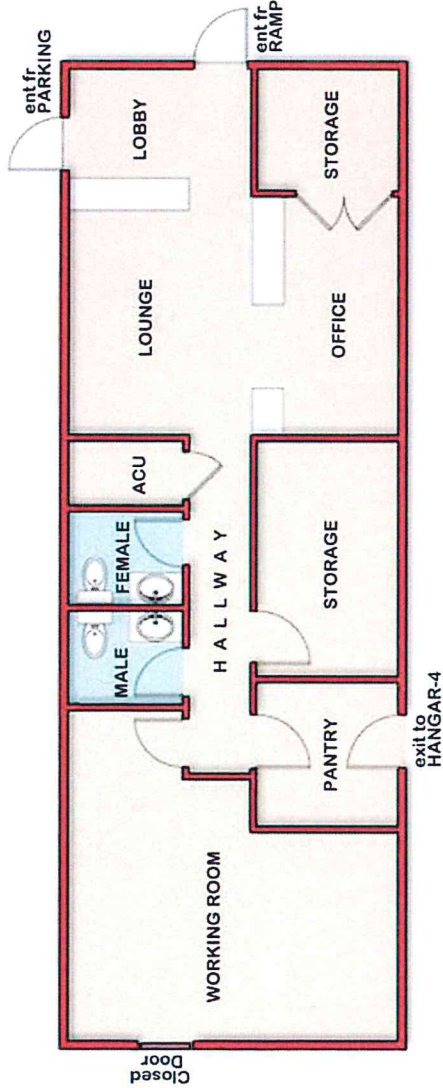
CORPUS CHRISTI INTERNATIONAL AIRPORT

STERLING AIR SERVICE
SITE LOCATION PLAN
EXHIBIT A

Prepared by: CDBelino Jr.

Approved by: FRED SEGUNDO

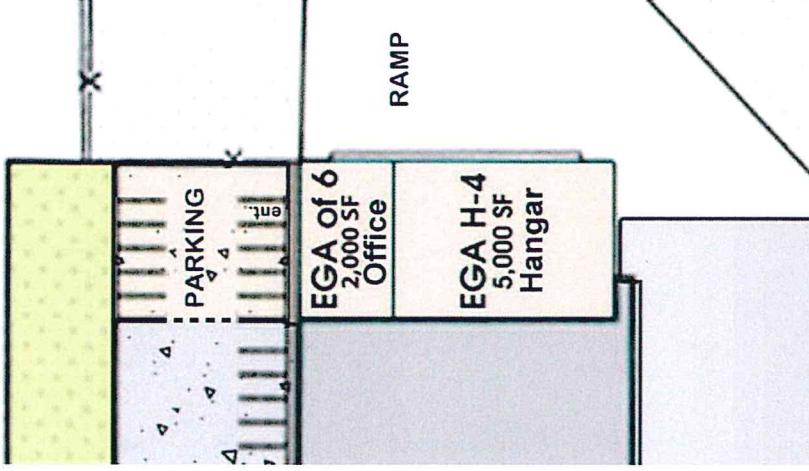
Scale: N.T.S. Date: 05-26-2015



EGA of 6
Floor Area = 2,000 SqFt.

EGA Hangar 4/Office 6

Category	Usage Type	SqFt	Annual Rental		Monthly		Annual	
			Rate per SqFt	Total	Total	Total		
Office	Office Space	2,000	\$6.25	\$12,500.00	\$1,042	\$12,500.00		
Hangar	Aircraft hangar	5,000	\$1.65	\$8,250.00	\$688	\$8,250.00		
Vehicle Parking-Asphalt	Parking lot/Access Rd	7,991	\$0.30	\$2,397.30	\$200	\$2,397.30		
		14,991			\$1,929	\$23,147.30		



KEY PLAN



CORPUS CHRISTI INTERNATIONAL AIRPORT

**STERLING AIR SERVICE LEASED PREMISES
AND AREA CALCULATIONS
EXHIBIT B**

Prepared by: CBELINO Jr.
Approved by: FRED SEGUNDO
Date: 07-01-2015

Sheet No.: 1 of 1

EXHIBIT C

INSURANCE REQUIREMENTS

I. LESSEE'S LIABILITY INSURANCE

- A. Lessee must not commence work under this contract until all insurance required has been obtained and such insurance has been approved by the City. Lessee must not allow any sub-lessee to commence work until all similar insurance required of any sub-lessee has been obtained.
- B. Lessee must furnish to the City's Risk Manager and Director of Aviation Dept. two (2) copies of Certificates of Insurance with applicable policy endorsements showing the following minimum coverage by an insurance company(s) acceptable to the City's Risk Manager. **The City must be listed as an additional insured on the General liability and Auto Liability policies, and a waiver of subrogation is required on all applicable policies. Endorsements must be provided with Certificate of Insurance. Project name and/or number must be listed in Description Box of Certificate of Insurance.**

TYPE OF INSURANCE	MINIMUM INSURANCE COVERAGE
30-day advance written notice of cancellation, non-renewal, material change or termination required on all certificates and policies.	Bodily Injury and Property Damage Per occurrence - aggregate
Commercial General Liability including: 1. Commercial Broad Form 2. Premises – Operations 3. Products/ Completed Operations 4. Contractual Liability 5. Independent Lessees 6. Personal Injury- Advertising Injury	\$1,000,000 Per Occurrence \$2,000,000 Aggregate
AUTO LIABILITY (including) 1. Owned 2. Hired and Non-Owned 3. Rented/Leased	\$1,000,000 Combined Single Limit
WORKERS' COMPENSATION All states endorsement required if Lessee is not domiciled in State of Texas.	Statutory
EMPLOYER'S LIABILITY	\$500,000 /\$500,000 /\$500,000
AIRCRAFT LIABILITY (including) 1. Owned 2. Hired and Non-Owned 3. Rented/Leased 4. In Air and On Ground	\$1,000,000 Per Occurrence

PERSONAL PROPERTY INSURANCE	Lessee, at their own expense, shall be responsible for insuring all owned, leased or rented personal property.
-----------------------------	----------------------------------------------------------------------------------------------------------------

- C. In the event of accidents of any kind related to this contract, Lessee must furnish the Risk Manager with copies of all reports of any accidents within 10 days of the accident.

II. ADDITIONAL REQUIREMENTS

- A. Applicable for paid employees, Lessee must obtain workers' compensation coverage through a licensed insurance company. The coverage must be written on a policy and endorsements approved by the Texas Department of Insurance. The workers' compensation coverage provided must be in an amount sufficient to assure that all workers' compensation obligations incurred by the Lessee will be promptly met. An All States Endorsement shall be required if Lessee is not domiciled in the State of Texas.
- B. Lessee shall obtain and maintain in full force and effect for the duration of this Contract, and any extension hereof, at Lessee's sole expense, insurance coverage written on an occurrence basis by companies authorized and admitted to do business in the State of Texas and with an A.M. Best's rating of no less than A- VII.
- C. Lessee shall be required to submit a copy of the Certificate of Insurance upon renewal dates to City for the duration of the contract at the address provided below within 10 days of any change made by the Lessee or as requested by the City. Lessee shall pay any costs incurred resulting from said changes. All notices under this Exhibit shall be given to City at the following address:

City of Corpus Christi
 Attn: Risk Manager
 P.O. Box 9277
 Corpus Christi, TX 78469-9277

- D. **Lessee agrees that, with respect to the above required insurance, all insurance policies are to contain or be endorsed to contain the following required provisions:**
- List the City and its officers, officials, employees, and volunteers, as additional insureds by endorsement with regard to operations, completed operations, and activities of or on behalf of the named insured performed under contract with the City, with the exception of the workers' compensation policy;
 - Provide for an endorsement that the "other insurance" clause shall not apply to the City of Corpus Christi where the City is an additional insured shown on the policy;
 - Workers' compensation and employers' liability policies will provide a waiver of subrogation in favor of the City; and
 - Provide thirty (30) calendar days advance written notice directly to City of any, cancellation, non-renewal, material change or termination in coverage and not less than ten (10) calendar days advance written notice for nonpayment of premium.

- E. Within five (5) calendar days of a cancellation, non-renewal, material change or termination of coverage, Lessee shall provide a replacement Certificate of Insurance and applicable endorsements to City. City shall have the option to suspend Lessee's performance should there be a lapse in coverage at any time during this contract. Failure to provide and to maintain the required insurance shall constitute a material breach of this contract.
- F. In addition to any other remedies the City may have upon Lessee's failure to provide and maintain any insurance or policy endorsements to the extent and within the time herein required, the City shall have the right to order Lessee to stop work hereunder, and/or withhold any payment(s) which become due to Lessee hereunder until Lessee demonstrates compliance with the requirements hereof.
- G. Nothing herein contained shall be construed as limiting in any way the extent to which Lessee may be held responsible for payments of damages to persons or property resulting from Lessee's or its sub-lessee's performance of the work covered under this contract.
- H. It is agreed that Lessee's insurance shall be deemed primary and non-contributory with respect to any insurance or self insurance carried by the City of Corpus Christi for liability arising out of operations under this contract.
- I. It is understood and agreed that the insurance required is in addition to and separate from any other obligation contained in this contract.

2015 Insurance Requirements
Aviation Dept.
Sterling Air Service
6/30/2015 ds Risk Management



City of
Corpus
Christi

SUPPLIER NUMBER _____
TO BE ASSIGNED BY CITY
PURCHASING DIVISION

EXHIBIT _____
CITY OF CORPUS CHRISTI
DISCLOSURE OF INTEREST

Corpus Christi Code § 2-349, as amended, requires all persons or firms seeking to do business with the City to provide the following information. Every question must be answered. If the question is not applicable, answer with "NA". See next page for Filing Requirements, Certification and Definitions.

COMPANY NAME: Sterling Air Service

STREET ADDRESS: 514 Hawgar lane P.O. BOX: _____

CITY: Corpus Christi STATE: TX ZIP: 78406

FIRM IS: 1. Corporation 2. Partnership 3. Sole Owner
4. Association 5. Other LLC

If additional space is necessary, please use the reverse side of this page or attach separate sheet.

1. State the names of each "employee" of the City of Corpus Christi having an "ownership interest" constituting 3% or more of the ownership in the above named "firm."

Name	Job Title and City Department (if known)
<u>NONE</u>	_____
_____	_____
_____	_____

2. State the names of each "official" of the City of Corpus Christi having an "ownership interest" constituting 3% or more of the ownership in the above named "firm."

Name	Title
<u>NONE</u>	_____
_____	_____
_____	_____

3. State the names of each "board member" of the City of Corpus Christi having an "ownership interest" constituting 3% or more of the ownership in the above named "firm."

Name	Board, Commission or Committee
<u>NONE</u>	_____
_____	_____
_____	_____

4. State the names of each employee or officer of a "consultant" for the City of Corpus Christi who worked on any matter related to the subject of this contract and has an "ownership interest" constituting 3% or more of the ownership in the above named "firm."

Name	Consultant
<u>NONE</u>	_____
_____	_____
_____	_____

FILING REQUIREMENTS

If a person who requests official action on a matter knows that the requested action will confer an economic benefit on any City official or employee that is distinguishable from the effect that the action will have on members of the public in general or a substantial segment thereof, you shall disclose that fact in a signed writing to the City official, employee or body that has been requested to act in the matter, unless the interest of the City official or employee in the matter is apparent. The disclosure shall also be made in a signed writing filed with the City Secretary. [Ethics Ordinance Section 2-349 (d)].

CERTIFICATION

I certify that all information provided is true and correct as of the date of this statement, that I have not knowingly withheld disclosure of any information requested, and that supplemental statements will be promptly submitted to the City of Corpus Christi, Texas, as changes occur.

Certifying Person: Shawn Morgan Title: President
Signature of Certifying Person: [Signature] Date: 7/9/15

DEFINITIONS

- a. "Board member." A member of any board, commission, or committee of the city, including the board of any corporation created by the city.
- b. "Economic benefit". An action that is likely to affect an economic interest if it is likely to have an effect on that interest that is distinguishable from its effect on members of the public in general or a substantial segment thereof.
- c. "Employee." Any person employed by the city, whether under civil service or not, including part-time employees and employees of any corporation created by the city.
- d. "Firm." Any entity operated for economic gain, whether professional, industrial or commercial, and whether established to produce or deal with a product or service, including but not limited to, entities operated in the form of sole proprietorship, as self-employed person, partnership, corporation, joint stock company, joint venture, receivership or trust, and entities which for purposes of taxation are treated as non-profit organizations.
- e. "Official." The Mayor, members of the City Council, City Manager, Deputy City Manager, Assistant City Managers, Department and Division Heads, and Municipal Court Judges of the City of Corpus Christi, Texas.
- f. "Ownership Interest." Legal or equitable interest, whether actually or constructively held, in a firm, including when such interest is held through an agent, trust, estate, or holding entity. "Constructively held" refers to holdings or control established through voting trusts, proxies, or special terms of venture or partnership agreements.
- g. "Consultant." Any person or firm, such as engineers and architects, hired by the City of Corpus Christi for the purpose of professional consultation and recommendation.