

MEMORANDUM

TO: **Real Estate & Transportation Committee**
Commissioner Bill Read, Chairman
Commissioner Justin Troller
Commissioner Phillip Walker

FROM: City Attorney's Office

DATE: April 17, 2017

RE: **Lease Agreement with International Aero Academy, Ltd.**

Attached for your consideration is a Lease Agreement with International Aero Academy, Ltd. (International Aero) to lease office and hangar space at 3131 Flightline Drive located on the south side of Lakeland Linder Regional Airport (Airport).

International Aero is an aviation holding company registered in Delaware which is purchasing the assets of Tailwheels ETC, LLC (Tailwheels), an established flight school presently operating at the Airport in the space that International Aero is seeking to lease. International Aero plans on continuing flight training programs that have already been established and to also expand the flight training to create a program focused on producing pilots that can be ready to work for commercial airlines.

The initial Lease term is for a period of three (3) years, with four (4) additional five (5) year options of renewal, with a retroactive effective date of April 12, 2017, subject to City Commission approval. Airport staff negotiated a new lease agreement with International Aero that adjusts the base rent to current market rates for the facility, thereby increasing the annual rent for the initial term to \$161,769.96 (\$4.50 a square foot for hangar space and \$13.00 a square foot for office space) from the existing lease rate for Tailwheels of \$141,446.04. This represents an increase of 14.4%. Rent renewals will be subject to an annual increase based on the change in the Consumer Price Index, with a maximum cap of three percent (3%) per year. This Lease Agreement with International Aero will effectively supersede and terminate the existing lease agreement with Tailwheels.

It is recommended that the appropriate City officials be authorized to execute this Lease Agreement with International Aero Academy, Ltd.

attachment

LEASE AGREEMENT

THIS AGREEMENT made this 17th day of April 2017, by and between the **City of Lakeland**, a Florida municipal corporation organized and existing in accordance with the laws of the State of Florida (hereinafter referred to as the "**Lessor**"), whose address is 228 S. Massachusetts Avenue, Lakeland, Florida 33801 and **International Aero Academy, Ltd.**, a Delaware corporation (hereinafter referred to as "**Lessee**"), whose address is 3131 Flightline Drive, Suite 205, Lakeland, Florida 33811.

WHEREAS, the Lessor and Lessee (collectively referred to as the "Parties") seek to enter into a Lease Agreement that contains terms and conditions governing Lessee's interest in the leased Premises; and

NOW THEREFORE, the Parties hereto do mutually agree as follows:

SECTION 1

1.1 The Lessor, for and in consideration of the mutual promises, agreements, and covenants herein contained, does hereby lease, let, and rent unto the Lessee for an initial term of three (3) years with four (4) additional five (5) year options of renewal upon mutual written agreement of the parties, commencing on April 12, 2017, (the "**Effective Date**") and terminating on April 11, 2020, a portion of the building known as the "S&S Facility", owned and controlled by the Lessor (hereinafter referred to as the "**Premises**"), located in and comprising a part of the Lakeland Linder Regional Airport (hereinafter referred to as the "**Airport**"), as more particularly described in **Exhibit "A"** attached hereto and made a part hereof. Lessee shall occupy a space on the Premises, consisting of approximately eight thousand two hundred ninety (8,290) square feet of office space and twelve thousand (12,000) square feet of hangar space located at 3131 Flightline Drive, Lakeland, Florida.

1.2 The parties acknowledge that this Lease Agreement shall supersede any prior written agreement(s) related to the above-specified Premises entered into by Lessor and a third party, with specific reference to the Lease between the Lessor and Tailwheels ETC., LLC dated April 15, 2013, as further amended by the First Modification of the Lease dated September 16, 2013.

SECTION 2

2.1 The Lessee shall pay to the Lessor as Base Rent for the Premises monthly installments, commencing on April 12, 2017 through April 11, 2020 in the amount of Thirteen Thousand Four Hundred Eighty dollars and Eighty-Three cents (\$13,480.83). Thereafter, annual Base Rent for the initial term of the Lease shall be adjusted in accordance with Section 3.2.

Each monthly rental installment shall be paid, together with sales taxes, pass through expenses, and all other applicable taxes and charges, in advance on or before the first day of each month. Late installments of rent, which shall be any installment received more than fifteen (15) days after the due date, shall bear a late payment charge of five percent (5%) per month of the late installment for any month or any portion of any month until paid.

2.2 Utilities shall include electric, water, wastewater services, storm water, refuse collection and heating/air conditioning for the leased Premises and shall be included in the Base Rent provided utility consumption is consistent with usage based on a forty (40) hour work week Monday through Friday. In the event Lessee substantially increases its business operations or substantially modifies its usage of the Premises resulting in a significant increase in utility costs, Lessor reserves the right to negotiate an increase in the Base Rent amount consistent with additional costs incurred due to an increase in utility consumption.

For purposes of this Lease Agreement the total utility cost for the Premises is currently approximately \$2.00 per square foot for office space and \$0.50 per square foot for hangar space. In the event the parties do not mutually agree to an increase in the Base Rent due to increased utility consumption, Lessor may retain the existing Base Rent during the remaining term of the Lease or terminate the Lease upon ninety (90) days prior written notice to Lessee. In addition, Lessor reserves the right to charge Lessee a prorated share of any increases for utility costs described in this Section above.

2.3 The Premises are not assessed ad valorem property tax on the Effective Date of this lease. In the event the Premises become subject to taxation by legislative or judicial action, or a change in policy of the Polk County Tax Assessor's Office, then the Lessee shall pay to Lessor any ad valorem taxes thereafter assessed. The Lessor shall provide proof of the assessment as soon as is practical following receipt of the tax bill which shall then be payable by the Lessee on the date the next rental payment would be due. Subsequent to any such initial assessment, Lessor reserves the right to provide for periodic payments of the tax. Lessor reserves the right to pass through to the Lessee a pro rata portion of ad valorem or other taxes or any other governmental charges or special assessments levied after the Effective Date.

2.4 Lessee shall deposit an amount equal to one month's Base Rent of Thirteen Thousand Four Hundred Eighty dollars and Eighty-Three cents (\$13,480.83) upon execution of the Lease.

SECTION 3

3.1 In the event Lessee remains in possession of the Leased Premises after the expiration of the tenancy created hereunder, and without the execution of a renewal term or new Lease, Lessee, shall be deemed to be occupying the Leased Premises on a month-to-

month basis at twice the monthly rental as paid for the last month under the expiring term of the lease. Such tenancy shall be subject to all the other conditions, provisions and obligations of this Lease.

3.2 Commencing April 12, 2018, and, at the beginning of each one (1) year lease period thereafter, all rents to be paid hereafter shall be adjusted in accordance with the Consumer Price Index for all Urban Consumers unadjusted, (U.S. City Average: All Items 1982-84=100), issued monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. Such adjustment shall be made by multiplying said rent by a fraction, the numerator of which shall be the Index Number as set forth in said Consumer Price Index for the month which is three (3) calendar months prior to the commencement of the new one (1) year lease period, and the denominator of which shall be the Index Number as set forth in said Consumer Price Index for the month which is three (3) months prior to the month of the commencement of the preceding one-year lease period, provided that the maximum annual increase shall not exceed three percent (3%). At no time shall rent be decreased in the event of a negative Consumer Price Index adjustment.

SECTION 4

The Lessor shall have the right to install all navigation aids at the Airport as may be identified on the Airport Layout Plan. The Lessor may furnish portions of the Airport to the Federal Government in connection with air traffic control or air navigation facilities. No structure, sign, appurtenance, projection, or modification shall be installed or kept in place by Lessee on the Premises without the prior written approval from the Lessor and any applicable federal, state, county, or other governmental agency.

SECTION 5

5.1 The Premises, and any improvements thereon, whether in existence or constructed in the future pursuant to the terms and conditions contained herein, shall be used solely for aviation activities for purposes of this Lease Agreement, and directly related uses, provided such use is permitted by and in accordance with the Airport Minimum Standards, the City of Lakeland Building Code, the Airport Layout Plan and Master Plan, and the Airport Rules and Regulations, each as may be amended from time to time. The Premises shall not be used for purposes which may interfere with the operation of aircraft at, from or to the Airport, including without limitation uses that create excessive light, glare, noise, dust, fumes or electromagnetic interference; uses that interfere with air traffic control line-of-sight visibility; uses that create wildlife attractants; uses that otherwise are detrimental to aviation, the airport facility, other tenants, or the City of Lakeland. Any change in use shall require written approval by the Airport Director.

5.2 There shall be no aircraft fueling within the hangar facility. However, the Lessee shall have the right to self-service aircraft that it owns or operates, including maintenance and repair, in the hangar portion of the Hangar facility, provided all aeronautical activities are performed in full compliance with the Airport Rules and Regulations, as the same may be amended from time to time.

5.3 No boats, trailers or recreational vehicles may be stored on the premises. The Director may grant a temporary waiver from this prohibition upon determining that a waiver serves the interests of the Airport and the public, and upon determining that the proposed temporary storage will not interfere with the aeronautical use of the Premises. In the event such a temporary waiver is granted, the Airport Director shall prescribe the areas of the

Premises that may be used for storage, which areas shall be identified so as to maintain an attractive and orderly appearance.

5.4 Auto parking shall be authorized only in those areas designed for the parking of automobiles and shall not be on ramps, taxiways or other areas where aircraft may travel.

5.5 Lessee shall not use the Premises for any other non-aeronautical use, including without limitation any residential use.

5.6 Lessee expressly agrees for itself, its successors and assigns, to restrict the height of structures and objects of natural growth determined by the Federal Aviation Administration to constitute an obstruction or hazard pursuant to 14 C.F.R. Part 77, as the same may be amended from time to time.

5.7 Lessor shall manage and assign ramp space to the Lessee based on availability of ramp space.

5.8 Environmental Matters.

It is the intention of the parties that Lessor shall be responsible for reporting, containing and cleaning up the release or spill of any hazardous substance or material, including any petroleum product, discovered on or emanating from the Premises prior to Lessee occupying said space. Lessee shall be responsible for reporting, containing and cleaning up the release or spill of any hazardous substance or material, including any petroleum product, discovered on or emanating from the Premises on or after the Effective Date of this Lease if due to activities occurring on the Premises after Lessee takes possession.

5.9 To the extent permitted by law and subject to the monetary limitations contained in § 768.28 Florida Statute, the Lessor shall pay, defend, indemnify and save

harmless the Lessee, its agents, guests, invitees and employees from all suits, actions, claims, demands, damages, including attorney's fees and costs arising out of any government action or environmental claim brought by a Federal, State or Local agency requiring the remediation of environmental contamination to the extent that any such claims, fines and/or penalties imposed are proven by Lessee to have existed prior to the Effective Date of this Lease, caused by a third party or originated from causes otherwise not attributed to Lessee's activities.

SECTION 6

The Lessee may not sublet or assign, including corporate mergers and acquisitions, all or any portion of the Premises without the prior written approval of the Lessor. In reviewing a request by the Lessee to sublet or assign all or any portion of the Leased Premises, the Lessor will consider, *inter alia*, the permitted and intended uses of the Leased Premises and the factors used to establish the rent and other fees under Section 2 of this Lease. If the Lessor approves the sublease or assignment of any portion of the Leased Premises, the Lessee shall remain liable for any and all obligations under this Lease, unless the Lessor determines in writing on the basis of evidence presented that the sub-lessee or assignee has the requisite financial capacity, resources and business plan to satisfy any and all obligations hereunder. The requirement to obtain the Lessor's approval applies, without limitation, to any assignment or sublease to or by a trustee or receiver in federal or state bankruptcy, receivership or other insolvency proceeding; and the sale, assignment or transfer of all or substantially all of the Lessee's assets. Use of the premises by any sub-lessee shall be restricted to the uses as defined in Section 5 of this Lease.

SECTION 7

7.1 Lessee shall pay, defend, indemnify and save harmless the Lessor, its agents, guests, invitees and employees from all suits, actions, claims, demands, damages, losses and other reasonable expenses, including attorney's fees, and costs of every kind and description to which the Lessor, its agents, guests, invitees or employees may be subjected to by reason of injury to persons or death or property damage, resulting from the negligence of the Lessee, its agents, guests, invitees or employees, arising from and/or in connection with this lease or any operations necessary relating to the occupancy, maintenance, repair or improvement by the Lessee of the Premises.

7.2 The Lessee shall defend, indemnify and save harmless the Lessor, its agents, guests, invitees or employees, against any claim or liability, including attorney's fees, arising from or based upon the violation of any federal, state, county or city law, by-law, ordinance, or regulation by such Lessee, its agents, guests, invitees, servants or employees.

7.3 The Lessee covenants and agrees to comply with all provisions of the Insurance Requirements, attached hereto as **Exhibit "B"** and incorporated by reference herein. The amounts of insurance coverage set forth in **Exhibit "B"** are set in accordance with the Lessee's use of the Premises as defined in Section 5 herein. In the event of any change, alteration or expansion of the use of the Premises, the minimum limits of such coverage shall be subject to reasonable adjustments as determined by the Lessor so as to reflect any increase in risk or exposure.

7.4 During the term of this Lease and any extension or renewal hereof, the Lessee shall keep in force fire legal liability and all perils insurance coverage in an amount of \$100,000.00 with a reputable insurance company authorized to do business in the State of Florida. Each policy required under this lease shall name the Lessor, City of Lakeland, as

an additional insured and carry a provision that it will not be canceled without a thirty (30) day notice to the Lessor. The Lessee shall provide a certificate showing the insurance to be in effect to the Lessor.

7.5 If at any time during the term of this Lease the Premises and its related facilities (including the parking area, or any portion thereof) should be damaged or destroyed by any casualty, Lessor at its sole discretion may elect not to rebuild. If Lessor makes this determination, lease shall be terminated as of the date of such casualty. Should Lessor decide to rebuild, then Lessor shall forthwith remove resulting debris, and repair or rebuild the damaged or destroyed structures or other improvements to the condition in which such structures and improvements existed prior to such casualty and return such structures and improvements to working order, whether or not any insurance proceeds shall be awarded to Lessor as a result of such damage or destruction.

7.6 Lessee shall cause to be inserted in any policy or policies of insurance acquired by them, with regard to this Lease, a so-called "waiver of subrogation" clause. Lessee hereby waives, releases and discharges Lessor, its agents and employees from all claims whatsoever arising out of loss, claim, expense or damage to or destruction covered by insurance arising out of this agreement notwithstanding that such loss, claim, expense or damage may have been caused by Lessor, its agents or employees, and Lessee agrees to look to the insurance coverage only in the event of such loss.

SECTION 8

The Lessor reserves the right for the Airport Director, or his duly authorized representative, to enter the leased premises during normal business hours for the purpose of performing such inspections considered necessary by the Director, including without limitation compliance with the terms of this Lease, the Airport Minimum Standards and the

Airport Rules and Regulations, and Lessee does hereby consent to such entry and waive any right to require a warranty for such inspection, provided that such entry and inspections shall not interfere with the Lessee's operations or the conduct of its business. The Lessee, after written notice, shall promptly correct any condition which is a hazard to life or property. The Lessee agrees not to have explosives, gasoline or other highly flammable materials, in, on or about the Premises that do not meet the Airport Minimum Standards, Rules and Regulations or other standards/compliance requirements required by any governmental agency with jurisdiction or for reasons of safety.

SECTION 9

9.1 The Lessee shall, at its expense, perform all maintenance and repairs associated with the Premises, including interior electrical fixtures, above ground plumbing and fixtures, interior walls, non-structural repairs and shall maintain its leased Premises in a good state of repair and condition at all times. The Lessor shall, at its expense, be responsible for exterior walls, roof replacement, HVAC and structural repairs including the infrastructure of outside utilities, which shall include plumbing and electrical to the Premises, if required, but shall not include any alterations necessitated or requested by the Lessee.

9.2 The Lessee shall, at its expense, maintain the Premises, including any structures thereon, in a neat and orderly condition at all times. Lessee shall maintain the grounds and exterior signage of the building so as to present a neat and attractive exterior appearance at all times during the term of this Lease. Lessee shall be responsible for the neatness and orderliness of the premises, removal of trash and garbage arising out of the Lessee's occupancy.

9.3 Lessee shall not have authority to make any modifications or alterations to Premises without prior written consent of the Airport Director. The primary consideration in the approval process shall be the best interest of the Airport and the public.

9.4 The Lessee shall secure its own trash removal service outside the airfield fence (Aircraft Operating Area) at a designated location defined by the Lessor and shall have such services performed on not less than on a once a week basis.

9.5 Lessee shall be responsible for ordinary maintenance and repair of all concrete areas and all asphalt areas within any office or hangar area of the Premises. Lessee shall be responsible for repairs caused by fuel spills or other causes related to the operation of the Lessee or customers or invitees of the Lessee and must notify Lessor in the event any spills or damage occur.

SECTION 10

Should the Lessee default in the payment of the rent or the performance of any of the promises, covenants or agreements herein made, the Lessor may, at its option, if such default continues after giving the Lessee fifteen (15) days written notice in the case of a default in the payment of the rent and thirty (30) days notice in the case of any other default, declare all future payments hereunder immediately due and payable. Lessor shall have a lien upon any and all buildings and other property of the Lessee located upon the Premises at the time of default for any amount due the Lessor by the Lessee. In addition, Lessor reserves the right to prevent access to the Airport by inactivating badge or security access due to non-payment. If Lessee's default requires for its cure a period longer than that allocated in this Section, Lessee shall not be in default if, in the Lessor's sole opinion, the Lessee proceeds diligently to effectuate the cure and same is accomplished within a reasonable period of time.

SECTION 11

Upon the occurrence of an event of default, as set forth in Section 10, Lessor may at its option exercise any one or more of the following remedies:

(a) The Lessor may terminate this Lease by giving to the Lessee written notice of Lessor's intention to do so, in which event the term of this Lease shall end and all right, title and interest of the Lessee hereunder shall expire on the date stated in such notice, which shall not be less than five (5) days after the date of the notice by the Lessor of its intention to so terminate; or

(b) The Lessor may terminate the right of the Lessee to possession of the Premises or any portion thereof by giving written notice to the Lessee that the Lessee's right of possession shall end on the date stated in such notice, which shall not be less than five (5) days after the date of the notice by the Lessor of its intention to so terminate the right of possession; or

(c) The Lessor may enforce the provisions of this Lease and may enforce and protect the right of the Lessor hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein or for the enforcement of any other appropriate legal or equitable remedy.

(d) If the Lessor exercises either of the remedies provided for in sub-paragraphs (a) or (b), the Lessor may then or at any time re-enter the Premises in accordance with Florida law.

(e) If the Lessor terminates the Lessee's right of possession pursuant to sub-paragraph (b), the Lessor may re-enter the Premises or any

portion thereof and take possession of all or any portion of the real property, may move any portion of the Lessee's property thereon which the Lessor elects so to do, and may sub-let or re-let the Premises or any part thereof from time to time for all or any part of the unexpired part of the then term hereof, or for a longer period, and the Lessor may collect the rents from re-letting or sub-letting and apply same, first to the payment of the rents payable hereunder and in the event that the proceeds from such re-letting or sub-letting are not sufficient to pay in full the foregoing, the Lessee shall remain and be liable therefore. The Lessee promises and agrees to pay the amount of any such deficiency and the Lessor may at any time sue and recover judgment for any such deficiency or deficiencies.

SECTION 12

No remedy herein conferred upon or reserved by the Lessor is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and so often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in this article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

SECTION 13

13.1 This Lease, and all provisions hereof, shall be subordinate to all the covenants and restrictions of the deeds under which the Lessor acquired the property known as the

Lakeland Linder Regional Airport from the United States of America, insofar as such covenants and restrictions remain in effect, such deeds being identified as follows:

(a) Quitclaim Deed and Surrender of Lease dated September 26, 1947, between the United States of America and City of Lakeland, recorded in Deed Book 816, page 571, Public Records of Polk County, Florida; and

(b) Supplemental Quitclaim Deed dated April 20, 1948, between the United States of America and the City of Lakeland, recorded in Deed Book 832, page 311, Public Records of Polk County, Florida;

except however, any such covenants and restrictions may hereafter become ineffective or as shall have been or may hereafter be extinguished or released, whether by statute, rule or regulations, interpretation, judicial decision, or deed or other instrument, including but not limited to the release of the "National Emergency Use Provisions" by the Deed of Release dated December 17, 1959, recorded in Official Records Book 389, page 338, current public records of Polk County, Florida, and the extinguishment of the restrictions on use for industrial or manufacturing purposes by the Act of Congress on July 30, 1947 (61 Stat. 678).

13.2 This Lease shall be subordinate to the provisions of any existing or future agreement, including any grant assurances restricting the use and/or sale of Airport property, entered into between the Lessor and the United States of America for the improvement or operation and maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the airport.

13.3 Should the Federal Aviation Administration issue an order determining that any provision herein is inconsistent with any covenant or restriction of the deeds under which the Lessor acquired the Airport, or the provisions of any existing or future agreement entered

into between the Lessor and United States of America, the parties shall amend this Lease as necessary to resolve the inconsistency.

13.4 This Lease and all the provisions hereof shall be subject to whatever right the Government of the United States of America now has or in the future may have or acquire, affecting the control, operation, regulation and reacquisition of the Airport or the exclusive or nonexclusive use of the Airport by the United States of America during the time of war or national emergency.

SECTION 14

Notwithstanding anything herein contained that may be or appear to the contrary, it is expressly understood and agreed that nothing herein shall be understood to confer an exclusive right upon the Lessee to conduct any aeronautical activity at the Airport in violation of 49 U.S.C. Section 40103(e) or 49 U.S.C. Section 47107(a)(4).

SECTION 15

15.1 The Lessee, for himself, his personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that:

(a) no person on the grounds of race, color, creed, sex or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subject to discrimination in the use of the facilities;

(b) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, creed, sex or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and

(c) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, entitled *Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964*, and as such Regulations may be amended.

15.2 In the event of a breach of any of the above nondiscrimination covenants, the Lessor shall have the right to terminate the lease and to re-enter and repossess the leased land and the facilities thereon, and hold the same as if the lease had never been made or issued. This provision shall be subject to the procedures of Title 49, Code of Federal Regulations, Part 21, including exercise or expiration of appeal rights.

15.3 Lessee shall furnish the aeronautical services permitted hereunder on a reasonable, and not unjustly discriminatory, basis to all users of the Airport. Lessee shall charge reasonable, and not unjustly discriminatory, prices for each unit or service, provided that Lessee is allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

SECTION 16

The Lessor reserves the right to take whatever actions necessary for the operation, safety, maintenance, and improvement of the Airport and its appurtenances, without interference or hindrance, with appropriate consideration for the continuity and profitability of the Lessee's operations and the payment of the obligations to the Lessor herein.

SECTION 17

The Lessor reserves unto itself, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of

the leased land, together with the right to cause in the airspace such noise as may be inherent in the operation of aircraft, now known or hereafter used, for navigation of or flight in the airspace for landing on, taking off from or operating on the Airport.

SECTION 18

The Lessee, its officers, employees, guests, invitees and suppliers of materials and services, shall have the right of ingress and egress over public right-of-way to the Premises for the purpose of permitting Lessee to enjoy the rights, uses, and privileges granted by the Lessor.

SECTION 19

19.1 The Lessee specifically covenants and agrees to observe and obey all lawful rules and regulations which have been or may be adopted and promulgated by the Lessor for operation at the Airport, including without limitation the Airport Rules and Regulations, as the same may be amended from time to time. The Lessee shall conduct and operate its activities in accordance with any applicable federal, state and local laws, ordinances, regulations, directives, orders, and judicial decisions. The Lessee specifically shall comply with all applicable federal, state and local statutes, regulations and ordinances on the subject of environmental protection, including without limitation all EPA regulations, guidelines and permitting requirements associated with Lessee's business operations performed on the Premises.

19.2 Lessee specifically covenants and agrees to observe and obey all applicable federal laws on the subject of airport and aviation security, all applicable regulations and directives issued by the Transportation Security Administration, and all ordinances and rules issued by Lessor related to security, including without limitation rules issues in furtherance of the Lessor's security program. Lessee further covenants and agrees to alter and improve

the Premises as required to comply with any such law, regulation, directive, ordinance or rule.

SECTION 20

20.1 The Lessor hereby designates the Director of the Lakeland Linder Regional Airport as its official representative with the full power to represent the Lessor in all dealings with the Lessee in connection with the Lease or the leased land, subject to approval by the Lakeland City Commission. The Lessor may designate by written notice, addressed to the Lessee, other representatives from time to time, and such representatives may exercise those rights and duties of the Lessor as may be necessary to effectuate the purposes of this lease.

20.2 Notice to the Lessor shall be sufficient if either mailed by first class mail, postage prepaid, addressed to Airport Director, Lakeland Linder Regional Airport, City of Lakeland, 3900 Don Emerson Drive, Suite 210, Lakeland, Florida 33811, or delivered at such address, and notice to the Lessee named herein shall be sufficient if mailed by first class mail to Lessee at Attn: Steven Markhoff, 3131 Flightline Drive, Suite 205, Lakeland Florida 33811. Either party may change its address at which notice is to be mailed or delivered, by giving written notice of such change of address to the other party in the manner provided in this section.

SECTION 21

This Lease shall be binding upon and inure to the benefit of the parties and their respective successors and assigns to the extent assignment and subletting are permitted.

SECTION 22

Should it become necessary for either party to bring an action at law or equity to enforce or interpret this Agreement or for the Lessor to bring an action to remove the Lessee

from the Premises, the prevailing party shall be entitled to all costs, including reasonable attorney's fees at both trial and appellate levels.

SECTION 23

This Lease shall be governed by and construed in accordance with the laws of the State of Florida. Venue for any action brought to enforce or interpret this Agreement or to remove Lessee from the Premises shall be Polk County, Florida.

SECTION 24

The terms and provisions of this Lease, and each sentence and paragraph hereof, are severable, and if any such term or provision shall be held invalid or unenforceable, all other terms and provisions hereof shall continue in force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed and their respective seals to be hereunto affixed, the day and year first above written.

ATTEST:

City of Lakeland, Florida
a municipal corporation

BY: _____
Kelly S. Koos
City Clerk

BY: _____
R. Howard Wiggs
Mayor

(Seal)

APPROVED AS TO FORM AND
CORRECTNESS:

BY: _____
Timothy J. McCausland
City Attorney

Attest:

International Aero Academy, Ltd.

By: _____
Witness

By: _____

Printed Name: _____

Title: _____

EXHIBIT A - HANGARS
3131 Flightline Dr., Hangar 2 & 3

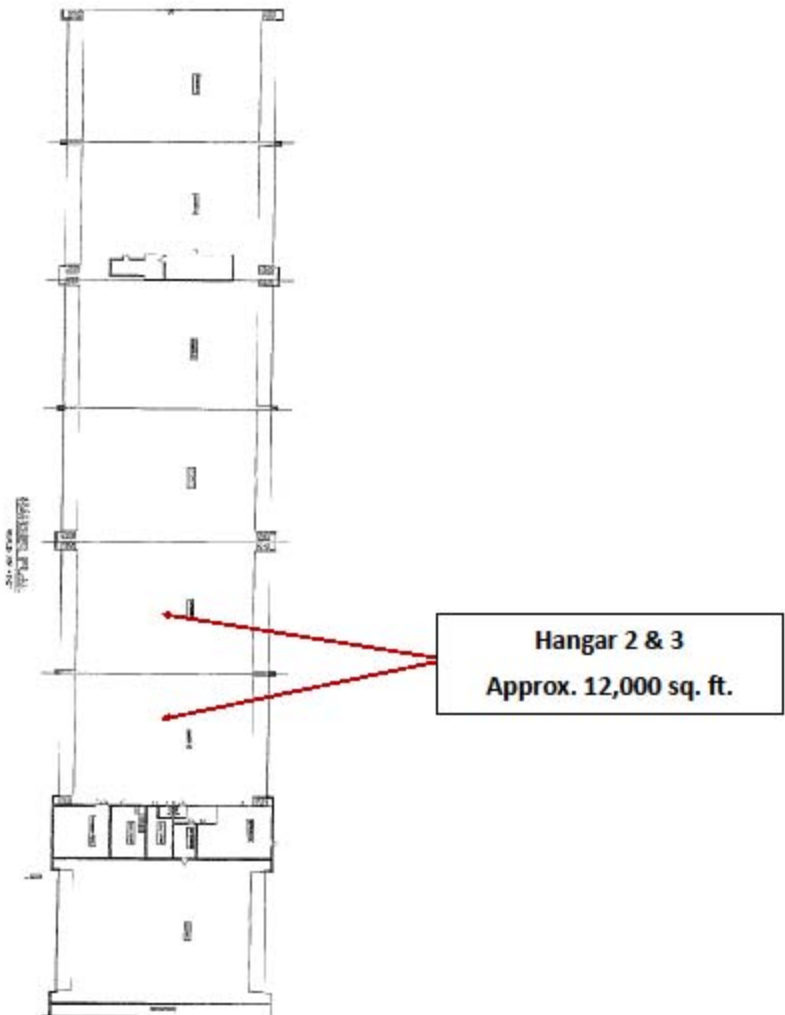


EXHIBIT A
Page 2 of 2

EXHIBIT "B"
INSURANCE REQUIREMENTS
LEASING AGREEMENTS

Special Insurance Provisions: Lessee shall maintain and pay the premium on the Comprehensive General Liability, Business Auto Liability, Workers' Compensation, and Fire Legal Liability policies. With the exception of Workers' Compensation, the City of Lakeland shall be listed as an "additional named insured" as their interest may appear. The City shall not by reason of their inclusion under these policies incur liability to the insurance carrier for payment of premium for these policies. A renewal certificate shall be issued 30 days prior to expiration of coverage.

These insurance requirements shall in no way limit the liability of the Lessee. The City does not represent these minimum insurance requirements to be sufficient or adequate to protect the Lessee's interest or liabilities, but are merely minimums. Where available, all policies shall be of an occurrence type and provide a 30-day notice of cancellation or modification of coverages. Prior to commencement of work, the proper insurance certificates shall be provided to, and approved by the City.

Except for Workers' Compensation, the Lessee waives its rights of recovery against the City, to the extent permitted by its insurance policies.

Deductibles: Given that the indemnification agreement is intended to be supported by first dollars insurance policies which require full disclosure of any and all deductible for all coverages required by this specification or contract, the only exception will be the area of Workers' Compensation. The City reserves the right to determine acceptable limits of such deductibles.

First Dollar Coverage: To the extent that the Lessee may elect to purchase insurance which provide a deductible or self-insured retention (SIR), the lessee will assume liability to personally indemnify the City to the same level of coverage required of their insurance carrier.

Comprehensive General Liability: This insurance shall be an "occurrence" type policy written in comprehensive form and shall protect the lessee and the additional insureds against all claims arising from bodily injury, sickness, disease, or death of any person other than the lessee's employees or damage to property of the City or others arising out of any act or omission of the lessee or his agents, employees, or contractors. This policy shall also include protection against claims insured by usual personal injury liability coverage, and to insure the contractual liability assumed by the lessee under the article entitled INDEMNIFICATION.

The liability limits shall not be less than:

Bodily Injury and Property Damage	\$1,000,000 Single limit per occurrence
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Business Auto Liability: This insurance shall cover any auto for bodily injury and property damage arising out of ownership, maintenance or use of any auto, including owned, non-owned and hired automobiles and employee non-ownership use.

The liability limits shall not be less than:

Bodily Injury and Property Damage	\$500,000 Single limit per occurrence
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Fire Legal Liability: Lessee's liability for damages by fire to the rented premises that the Lessee occupies.

The liability limits shall be not less than:	\$100,000 Single limit per occurrence
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Workers' Compensation: Workers' Compensation coverage to apply for all employees for statutory limits and shall include employer's liability with a limit of \$100,000 each accident, \$500,000 disease policy limits, \$100,000 disease limit each employee. ("All States" endorsement is required where applicable). If exempt from Workers' Compensation coverage, as defined in Florida Statute 440, the Tenant will provide a copy of the State Workers' Compensation exemption.

**General Aviation Airports
Suggested Minimum Insurance Requirements**

<u>Classification</u>	<u>Aircraft Liability</u>	<u>Passes Liability</u>	<u>Auto Mobile Equipment</u>	<u>Workers Compensation</u>	<u>Insurances Legal</u>	<u>Risks</u>
Air Charter - Commercial						
Piston & Turbine	\$2,000,000	\$ 1,000,000	\$ 500,000	Statutory		Business & Pleasure \$1,000,000/AC/Annual
Passenger capacity 1 - 4	\$2,000,000	\$ 1,000,000	\$ 500,000	Statutory		
Passenger capacity 5 - 9	\$3,000,000	\$ 1,000,000	\$ 500,000	Statutory		
Passenger capacity 10 - 14	\$4,000,000	\$ 1,000,000	\$ 500,000	Statutory		
Passenger capacity 15+	Requires authorization from FAA	\$ 1,000,000	\$ 500,000	Statutory		
Air cargo	\$3,000,000	\$ 1,000,000	\$ 500,000	Statutory		
Airport Operations						
Flight Instruction	\$1,000,000/\$1K/ACC	\$ 1,000,000	\$ 500,000	Statutory		
Rental	\$1,000,000/\$1K/ACC	\$ 1,000,000	\$ 500,000	Statutory		
Flying Clubs	\$1,000,000/\$1K/ACC	\$ 1,000,000	\$ 500,000	Statutory		
Specialized Flying Services (1)	\$1,000,000/\$1K/ACC	\$ 1,000,000	\$ 500,000	Statutory		
ADG Tenants						
ADG	\$5,000,000	\$ 5,000,000	\$ 2,000,000	Statutory	\$ 1,000,000	Products & Commercial Products & Commercial *In Airframe Policy
Airport Security/Baggage Screening	Not applicable	\$ 1,000,000	\$ 500,000	Statutory	\$ 500,000	Products
Airport Storage/Tie-Down Leases	\$1,000,000	\$ 1,000,000	\$ 500,000	Statutory		Products
Airport Gates	\$2,000,000/\$1K/ACC	\$ 1,000,000	\$ 500,000	Statutory	\$ 500,000	Products
Restoration Services	Not applicable	\$ 1,000,000	\$ 500,000	Statutory		Products
Non-ADG Tenants						
Concessions	Not applicable	\$ 1,000,000	Not applicable	Statutory		Products / Legal Liability
Non-aircraft fuel tank	Not applicable	\$ 1,000,000	Not applicable	Statutory		PUC - Motor Vehicle
Ground Fuel Distribution						
7 - 14 seats on BHS	Not applicable	\$ 1,000,000	\$1,000,000	Statutory		
15 seats or greater	Not applicable	\$ 1,000,000	\$1,000,000	Statutory		
Parking / Fuel	Not applicable	\$ 1,000,000	\$1,000,000	Statutory		
Others	Not applicable	\$ 1,000,000	Not applicable	Statutory		General Liability
Airport Vendors						
Security Services	Not applicable	\$ 500,000	Not applicable	Statutory		Professional Liability
Janitorial Services	Not applicable	\$ 1,000,000	Not applicable	Statutory		Professional Liability
Maintenance Providers	Not applicable	\$ 1,000,000	\$ 500,000	Statutory		Contractors Protective Professional Liability
Construction	Not applicable	\$ 500,000	\$ 500,000	Statutory		
Architects / Engineers	Not applicable	\$ 1,000,000	\$ 500,000	Statutory		
Others						

(1) Defined as sightseeing tours, aerial photography, aerial photography, aerial advertising etc.