

Lease Agreement

THIS AGREEMENT, made this 15 day of February 2012, by and between L. J. Air Corporation of 9632 Camden Hills Ave., Las Vegas, Nevada hereafter called "LESSOR" and XYZ, Inc. hereafter called "LESSEE

NOW THEREFORE, the LESSOR agrees to lease aircraft to the LESSEE on an hourly basis. The LESSEE shall provide maintenance, flight training, scheduling and collect aircraft rental / flight training tuition as a normal part of doing business while complying with appropriate FAA regulations and insured limitations. The Lessee performs these functions under the terms and conditions herein contained, for the following described ("Aircraft").

YEAR: 1978

MAKE: Cessna

MODEL: 172N

REGISTRATION NO: N738CY

SERIAL NO: 17269883

ENGINE: Lycoming Model – O-320-H2AD Serial Number - _____

STARTING HOBBS: _____ STARTING TAC: _____

1. TERMS AND CONDITIONS. The aircraft is leased for the term of one (1) year at a hourly rate of \$35.00 per hour ("Hourly Rate"). The hourly rate may be adjusted based upon the percent change in time limited component costs from the aircraft manufacturer. There is a monthly minimum of flight time of 30 hours. The agreement shall commence on pick up of the Aircraft from the North Las Vegas Airport – Las Vegas, Nevada and terminates on the return to the same location. The LESSEE shall pay the LESSOR a Hourly Rate for each hour flown as indicated by the Aircraft "hobbs meter". For non-revenue generating maintenance flights, The LESSEE shall pay fifty percent of the Hourly Rate. The LESSEE agrees to send a report of the Hobbs time at the end of the month and payment for all hours flown during the month within ten business days of the end of each month. Failure of LESSEE to adhere to the payment policy will give the LESSOR the option to terminate this agreement and immediately take possession of the Aircraft upon written notice to the LESSEE and a five (5) day time period for the LESSEE to cure. The LESSEE is still responsible for payments for the remaining term of this Agreement or until the aircraft is leased. The LESSEE must pay the minimum times or the actual flight time whichever is greater each month.

2. LESSEE'S COVENANTS. The Lessee covenants and agrees as follows:

- a. The LESSOR will furnish the aircraft in an airworthy condition, as defined by the Federal Aviation Regulations ("FARs") at the beginning of the Lease complete with airworthiness certificate and U. S. Registration.
- b. No lien or assignment. LESSEE shall not sell, or attempted to sell, or assign or dispose of the Aircraft, or of any interest therein, or of any part thereof, or any equipment necessary thereof or suffer or permit any charge, lien, or encumbrance of any nature upon the Aircraft or part thereof.
- c. Foreign flying. LESSEE shall not rent the Aircraft for trips outside United States without written notification to LESSOR of LESSEES intentions to rent the Aircraft for said trip.
- d. Contraband. LESSEE shall not rent the Aircraft for flights or any use involving the transportation of any illegal drugs, firearm, or contraband of any type.
- e. Owner right of inspection. LESSEE shall permit the Owner or his duly authorized agent to inspect the Aircraft at any time and to furnish any information in respect to the Aircraft and its use the Owner may reasonably request.
- f. Further assurance. LESSEE shall execute and deliver to the Owner any additional or supplemental instruments or documents as may be reasonably requested by the Owner in connection with the Aircraft of this agreement. To ensure that all warranty service and/or parts are performed and/or installed and signed off by a licensed A&P mechanic.

3. DOWN PAYMENTS / LATE FEES. There is a deposite required that is equal to two months minmum flight time (60 Hours) and the deductable amount for the hull insurance premium. All accounts over 30 days will be charged a finance charge of 1.5% per month on the balance. The deposite is refundable if all of the terms and conditions of this agreement are fulfilled. Failure to fulfill the terms and conditions, breach of contract, will result in a loss of the deposite and the LESSEE shall still be responsible for all payments independent of the deposite.

4. LESSOR/LESSEE EXPENSES. The LESSOR is not responsible for cost of necessary repairs or maintenance during terms of this Agreement (maintenance inspections, maintenance repairs, repair parts, component replacement labor, over speed damage, weather damage, component failures, betterment fees due to hard landings or other pilot / mechanic errors ...etc.). The LESSOR shall be responsible for cost of TBO engine overhaul expense, mandatory time limited replacement parts (except parts damaged due to improper handling / maintenance), AD's and modifications or improvements requested by the LESSOR. The LESSEE shall pay the cost of fuel, oil, inspections, adjustments, maintenance, repairs, hanger storage (mandatory when not in use), parts, insurance and State / Local governmental taxes related to normal business operations at the LESSEE'S place of business and aircraft use location.

5. OPERATIONAL CONTROL

(1) Lessee shall be deemed to be in operational control of the Aircraft when Lessee has possession, use and operation of it. At all times following the transfer of possession of the Aircraft to Lessee, and prior to redelivery, Lessee (as between Lessee and Lessor) (i) shall be responsible for possession, use and operation of the Aircraft, (ii) shall not sell, transfer, assign, encumber, sublet or otherwise part with possession of the Aircraft, and (iii) shall be deemed to be in possession, command and control of the Aircraft for taxation purposes.

(2) Lessee agrees that the Aircraft shall be used solely in compliance with applicable Federal Aviation Regulations ("FARs").

(3) Lessee shall operate the Aircraft in such a fashion as to comply with all laws, rules, regulations and orders of any government that has jurisdiction over the Aircraft or any part thereof. Lessee shall not use or permit others to use the Aircraft or any part thereof in any manner or for any purpose excepted from or contrary to any insurance policy required to be carried pursuant to this Lease, or for the carriage of any goods excepted or exempted from or contrary to any such insurance policy. Lessee will not do any other act or permit anything to be done that could invalidate or limit any insurance policy or policies or that could in any way cause Lessor's interest to be in any way jeopardized, or in any way unenforceable or invalid as against Lessee or any third party.

(4) Lessee shall carry on the Aircraft the FAA certificate of registration for the Aircraft, a copy of this Lease and such other documents as may be required by the Federal Aviation Administration (the "FAA") or any other domestic or foreign governmental authority.

(5) At all times when the Aircraft is in the possession of the Lessee under the terms and conditions of this Lease, the Lessee shall: (i) take no actions which would adversely affect the United States registration of the Aircraft in the name of Lessor as owner; (ii) take no actions which would adversely affect the United States registration of the Aircraft in the name of the Lessor as owner; and (iii) at its sole cost and expense, maintain all records, logs and other materials required by the FAA to be maintained in respect of the Aircraft while in its possession and control.

6. MAINTENANCE. Maintenance of the Aircraft during the terms of the agreement shall be scheduled by the LESSEE in accordance with the provisions of FAA regulations including part 91 for commercial use and training in addition to the aircraft manufacturer's Pilot Operating Handbook and Maintenance / Service manuals. The LESSEE shall pay the maintenance, without prior written consent of the LESSOR. The LESSEE shall not make any alterations, additions or improvements to said Aircraft without written authorization from the LESSOR. The LESSEE shall be responsible for a final 100 hour and annual inspection.

7. LOG BOOKS. The LESSEE shall be responsible for any costs associated with the loss of the aircraft log books (including component replacement) and correcting deficiencies to correct log book entries to properly document the aircraft operational history and return of the aircraft to an airworthy condition.

8. RETURNING THE AIRCRAFT. The aircraft shall be returned in the same condition as when picked up or delivered from the lease point of origin (Las Vegas, Nevada) less reasonable wear and tear. The LESSEE is responsible for transportation costs from and returning to the point of origin.

- 9. STORAGE.** Tie down
- 10. PAYMENTS.** All payments shall be made to:
L J Air, Inc.
9632 Camden Hills Ave
Las Vegas, NV 89145
- 11. SUBSTITUTION.** At no cost or delay to the LESSEE, The LESSOR may provide a substitute comparable Aircraft.
- 12. INSURANCE.** The LESSEE shall insure and maintain insurance on the aircraft hull in addition to having liability insurance. The hull shall be insured for \$55,000.00. The LESSOR shall be provided a certificate of insurance with the LESSOR named as "an additional insured" and "loss payee" and agrees to give the LESSOR authority to initiate claims.
- 13. GUARANTEE.** In addition to the LESSEE guarantee, the Owner(s) of the LESSEE business unconditionally guarantee all terms set forth in this LEASE AGREEMENT, and agrees to guarantee the payment of all bills and accounts including but not limited to, the lease payments, the insurance payments, maintenance, labor and parts payments or any other payments or collection costs including attorney fees to cause compliance with the terms of this Agreement. The Guarantee shall act as an unlimited continuing Guarantee for any aircraft leased by the LESSEE from the LESSOR herein.
- 14. INDEMINIFICATION.** The LESSEE hereby covenants and agrees to indemnify, save harmless and defend the LESSOR, its officers, employees and agents from all claims, leins, damage, liability, loss, demands, actions, costs, charges, judgements, or other liabilities for property damage or injury or death to persons or other expenses (including but not limited to defense costs, expenses and reasonable attorney fees) imposed upon the LESSOR be the reason of injuries or death of persons (including wrongful death) and damages to property caused during or because of the LESSEES use and possession of the aircraft or any actions or non-actions of the LESSEE, its officers, employees, agents or other representatives, except that the Lessor is responsible for their negligent acts and liability under this section is subject to the limits of the Lessee's current insurance policies.
- 15. TERMINATION.** This agreement can be terminated by:
- a. Failure of the LESSEE to fly the required hours or pay the minimum flight hours per month.
 - b. Accidental total loss of the aircraft with deductible and insurance settlement payments to LESSOR. The lease remains in effect in the event of partial damage and remains so while the aircraft is repaired.
 - c. Failure of lessee to make timely reports and payments.
 - d. Un-airworthy condition due to run-out component time.
 - e. Unavailability of the aircraft due to external event such as a FAA action or AD.
 - f. Failure of the LESSEE to properly maintain the aircraft.

In the event of a, c, or f, the lease payment terms remain in effect for the term of the lease in the event that the LESSOR takes possession of the aircraft.

16. Jurisdiction. This Agreement shall be subject to, governed by, and construed in accordance with the laws of the State of Nevada, Clark County.

17. REPRESENTATIONS OF LESSEE. In order to induce Lessor to enter into this Lease and to lease the Aircraft from Lessor hereunder, Lessee represents and warrants that:

- a. Lessee has full power, authority and legal right to execute, deliver and perform this Lease, and the execution, delivery and performance of this Lease has been duly authorized by all necessary Corporate action on behalf of Lessee.

- b. This Lease has been duly executed and delivered by Lessee and constitutes the legal, valid and binding obligation of Lessee enforceable in accordance with its terms.
- c. Lessee is a citizen of the United States under 49 U.S.C. Section 40102(a)(1 5) and as such may be amended from time to time.

11. NO IMPLIED REPRESENTATIONS OR WARRANTIES.

THE AIRCRAFT IS BEING LEASED ON AN "AS IS" BASIS. LESSOR SHALL NOT BE DEEMED TO HAVE MADE, AND LESSOR HEREBY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, EITHER EXPRESSED OR IMPLIED, OF ANY KIND OR NATURE WHATSOEVER WITH RESPECT TO THE AIRCRAFT, INCLUDING, WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE AIRCRAFT, ITS MERCHANTABILITY OR FITNESS FOR LESSEE'S INTENDED USE, THE QUALITY OF THE MATERIAL OR WORKMANSHIP OF THE AIRCRAFT, THEIR VALUE OR AIRWORTHINESS OR CONFORMITY OF THE AIRCRAFT TO ANY SPECIFICATIONS; NOR SHALL LESSOR BE LIABLE TO THE LESSEE FOR ANY LOSS, CLAIM, DEMAND, LIABILITY, COST DAMAGE, OR EXPENSE OF ANY KIND, CAUSED OR ALLEGED TO BE CAUSED, DIRECTLY OR INDIRECTLY, BY THE AIRCRAFT, OR BY ANY INADEQUACY THEREOF FOR ANY PURPOSE, OR BY ANY DEFECT THEREIN; OR IN THE USE OR MAINTENANCE THEREOF, OR ANY REPAIRS, SERVICING, OR ADJUSTMENTS THERETO, OR ANY DELAY IN PROVIDING, OR FAILURE TO PROVIDE THE SAME, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF, OR ANY LOSS OF BUSINESS, OR ANY DAMAGE WHATSOEVER AND HOWSOEVER CAUSED.

12. SEVERABILITY. The invalidity of any portion of this Lease shall not affect the remaining valid portions thereof.

13. NOTICES. All notice or other documents under this Lease shall be in writing and delivered personally or mailed by certified mail, postage prepaid, addressed to the parties at their last known addresses.

14. NON-WAIVER. No delay or failure by either party to exercise any right under this Lease, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

15. COUNTERPARTS/FACSIMILE. This Lease may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Lease may be executed and delivered by facsimile transmission.

16. BINDING EFFECT. The provisions of this Lease shall be binding upon and inure to the benefit of both parties and their respective legal representatives, successors and assigns.

17. TRUTH IN LEASING.

(A) LESSOR CERTIFIES THAT THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED DURING THE TWELVE MONTHS BEFORE THE DATE OF THIS LEASE UNDER PART 91 OF THE FEDERAL AVIATION REGULATIONS. LESSOR HEREBY CERTIFIES THAT THE AIRCRAFT COMPLIES WITH PART 91 OF FEDERAL AVIATION REGULATIONS WITH RESPECT TO THE USE AND OPERATION TO WHICH THE AIRCRAFT WILL BE SUBJECTED UNDER THIS LEASE.

(B) LESSEE CERTIFIES BY ITS SIGNATURE HERETO THAT WHEN IT IS IN POSSESSION OF THE AIRCRAFT UNDER THE TERMS OF THIS LEASE IT SHALL BE RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE AND SO ACKNOWLEDGES BY ITS SIGNATURE BELOW. EACH OF LESSOR AND LESSEE HEREBY SEVERALLY CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

(C) LESSOR AND LESSEE UNDERSTAND THAT AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL OF THE AIRCRAFT AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHTS STANDARDS DISTRICT OFFICE. LESSEE FURTHER CERTIFIES THAT A TRUE COPY OF THIS LEASE WILL BE SENT TO: AIRCRAFT REGISTRATION BRANCH, ATTN: TECHNICAL SECTION, P.O. BOX 25724, OKLAHOMA CITY, OKLAHOMA, 73125, WITHIN 24 HOURS OF ITS EXECUTION, AS PROVIDED BY FAR 91.23(c)(1).

(D) THE PARTIES HERETO CERTIFY THAT A TRUE COPY OF THIS LEASE SHALL BE CARRIED ON THE AIRCRAFT AT ALL TIMES, AND SHALL BE MADE AVAILABLE FOR INSPECTION UPON REQUEST BY AN APPROPRIATELY CONSTITUTED, IDENTIFIED REPRESENTATIVE OF THE ADMINISTRATOR OF THE FAA.

18. ENTIRE AGREEMENT.

This Agreement constitutes the entire Agreement between the parties. No statements, promises, or inducements made by any party to this Agreement, or any agent or employees of either party, which are not contained in this written contract shall be valid or binding. This Agreement may not be enlarged, modified, or altered except in writing signed by the parties.

XYZ, Inc

LJ Air Corporation

John Doe – CEO

Larry Joslyn

Chairman of Board

John Doe – As Individual & Owner

LESSEE

LESSOR

**Addendum
January 15, 2012 Agreement**

Accessories Provided:

- Maintenance Log Books
- Pilot Operation Hand Book (POH)
- Tow Bar

XYZ, Inc

LJ Air Corporation

John Doe – CEO

Larry Joslyn

Chairman of Board

John Doe – As Individual & Owner

LESSEE

LESSOR