

MEMORANDUM

TO: Real Estate & Transportation Committee
Commissioner Mike Musick, Chairman
Commissioner Bill Read
Commissioner Chad McLeod

FROM: City Attorney's Office

DATE: May 19, 2025

RE: Land Lease Agreement with Arcade Aviation, LLC

Attached hereto for your consideration is a proposed Land Lease Agreement with Arcade Aviation, LLC. Arcade Aviation is seeking to lease approximately 16.41 acres of unimproved land located on the northeast side of the Airport along Drane Field Road and Airport Perimeter Road East. Arcade Aviation, LLC intends to use the property to construct and operate a Maintenance, Repair and Overhaul (MRO) facility, as well as aviation related infrastructure estimated at 137,000 square feet of hangar space designed to accommodate Airplane Design Group V aircraft, which include aircraft as large as a Boeing B767 and Airbus A330. Specifically, the proposed facility will support aircraft maintenance operations, including apron and taxiway improvements, storage, approximately 15,000 square foot of office space and self-fueling capability, as well as ancillary uses consistent with the Federal Aviation Administration approved Airport Layout Plan.

The Land Lease Agreement is for an initial term of forty (40) years, effective May 19, 2025, subject to City Commission approval. The Lease also contains one ten (10) year renewal option upon mutual written agreement of the parties. The rent commencement date shall be the earlier of the third anniversary of the effective date of the Lease or upon issuance of the Certificate of Occupancy for the hangar construction project. Beginning on the rent commencement date and continuing through the 5th year of the Lease, annual base rent shall be \$257,335.06, paid in monthly installments of \$21,444.59 (\$0.36 per square foot) on the first day of each month. Commencing on the 6th year of the Lease base rent shall be increased 3.5% and thereafter adjusted in accordance with the Rent Schedule set forth in the Lease.

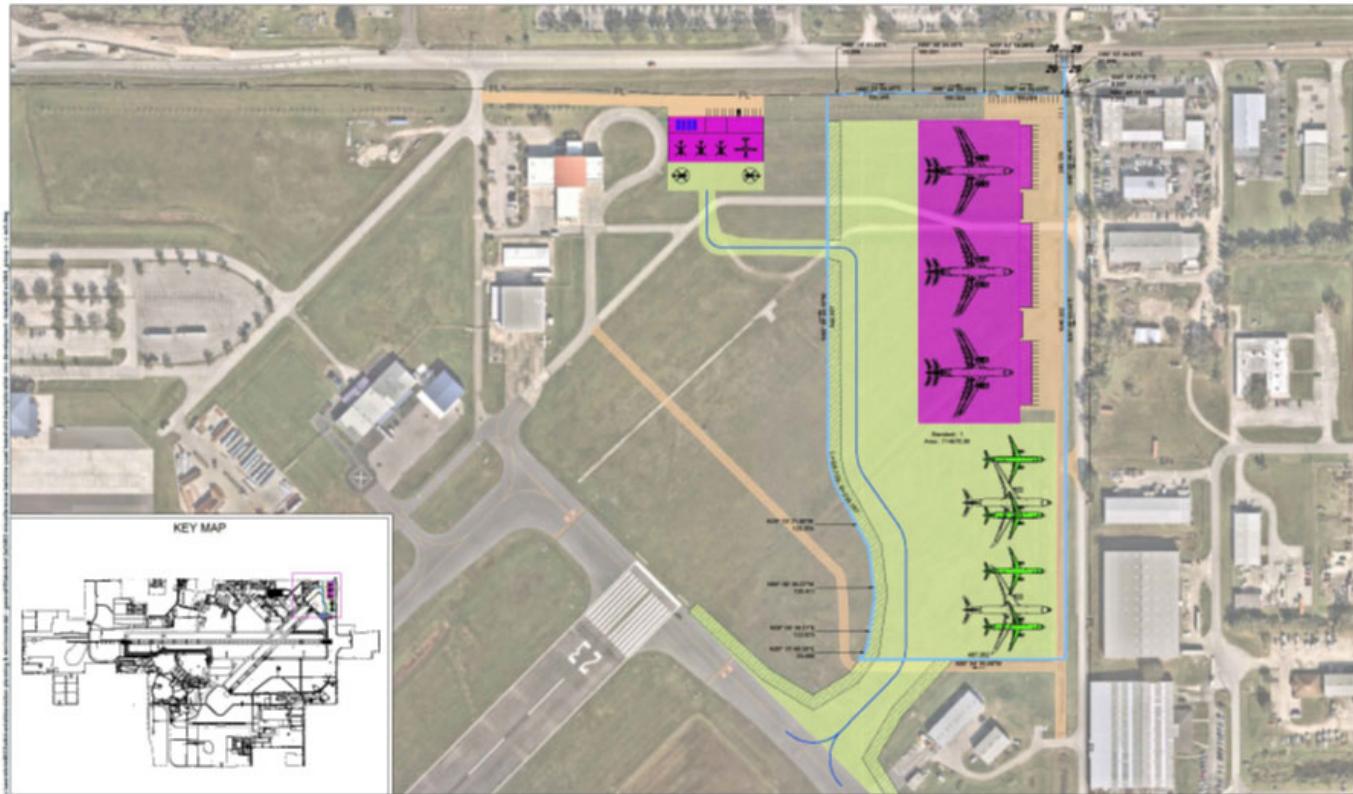
Pursuant to the Lease, Arcade Aviation, LLC is entitled to a rent credit for Airport infrastructure improvements consisting of the construction of a taxiway connection from the leased premises to Taxiway C and the relocation of the electrical vault equipment, including the demolition of the building that houses that equipment. Arcade Aviation, LLC will be required to provide the Airport with documentation, including invoices, specifying the cost of any such improvements in order to receive the rent credit, which shall not exceed \$3,375,000.00.

In addition to base rent, Arcade Aviation, LLC will also be responsible for paying all taxes and utilities, electric, water, wastewater services, storm water and refuse collection for the leased premises. In accordance with the Lease, Arcade Aviation, LLC will be responsible for the cost of development and construction of its MRO facility, including any related improvements. Any plans/specifications for improvements are required to be reviewed and approved by the Airport prior to the commencement of construction. Upon expiration or termination of the Lease, the MRO facility and all improvements shall become the property of the Airport if not removed.

The parties have agreed that Arcade Aviation, LLC shall be permitted to obtain a leasehold mortgage to finance the costs associated with the construction of its MRO facility and related improvements to the leased premises, for which the City will execute any necessary documents requested by a lender. However, Arcade Aviation, LLC is prohibited from imposing any lien to be filed upon the leased premises. Arcade Aviation, LLC is also required to indemnify and hold harmless the City from damage to property or injury to persons resulting from its negligence or willful misconduct during the term of the Agreement, as well as maintain insurance coverage required by the City.

It is recommended that the City Commission approve the Land Lease Agreement with Arcade Aviation, LLC and authorize the appropriate City officials to finalize and execute all corresponding documents consistent with the above-specified terms.

Attachments



0 200 400 Feet



AtkinsRéalis

LAND LEASE AGREEMENT

THIS LAND LEASE AGREEMENT (“Lease”) dated this 19th day of May , 2025, by and between the City of Lakeland, a Florida municipal corporation (hereinafter referred to as “Lessor”), whose address is 228 S. Massachusetts Avenue, Lakeland, Florida 33801, on behalf of its municipal airport Lakeland Linder International Airport, and Arcade Aviation LLC, a FL limited liability company (hereinafter referred to as “Lessee”), whose mailing address is 477 Madison Avenue – 6th Floor NY, NY 10022 c/o Arcade Capital LLC, which Lessor and Lessee shall collectively be referred to as the “Parties.”

WHEREAS, Lessor owns fee simple interest to, and desires to let and lease to Lessee, that certain real property located at Lakeland Linder International Airport (“Airport”) in Polk County, Florida, as more particularly described below, for the purpose of Lessee obtaining approvals for, developing, constructing and maintaining a maintenance, repair and overhaul (“MRO”) hangar facility, buildings, structures and related improvements (the “MRO Facility”) with supporting taxiway and aircraft apron improvements designed to accommodate airplane design group V (ADG V) aircraft, together with ancillary uses and improvements, including, without limitation, storage, offices, access roadways, parking, maintenance of aircraft, self-fueling of Lessee’s aircraft, aviation related uses and for any other lawful use (the “Intended Use”), consistent with the Lessor’s Airport Layout Plan as approved by the Federal Aviation Administration (“FAA”); and

WHEREAS, the Parties desire to cooperate with each other in connection with the approvals, permits, development, operation, and maintenance of such MRO hangar facility and appurtenant improvements as described above in order to allow the Intended Use, all subject to and in accordance with the following terms and conditions.

NOW THEREFORE, in consideration of the aforesaid Recitals and the mutual agreements, promises and covenants of the parties as hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

SECTION 1 Lease Term and Commencement.

1.1 Lessor represents and warrants that it is the sole fee simple owner of the Premises; free and clear of all easements, restrictions, liens and other encumbrances, except the Permitted Encumbrances (defined below). Further, Lessor, for and in consideration of the mutual promises, agreements, and covenants herein contained, does hereby lease, let, and rent unto the Lessee for its exclusive use, land consisting of approximately 16.41 acres located in and comprising a part of the Lakeland Linder International Airport (hereinafter referred to as the “Airport”) as more particularly described in **Exhibit “A,”** attached hereto and made a part hereof (hereinafter referred to as the “Leased Premises” or “Premises”). For purposes hereof, “Permitted Encumbrances” shall mean any easements, encumbrances or restrictions listed on the schedule of exceptions in the title insurance policy issued to Lessee.

1.2 Intentionally Deleted.

1.3 The obligations of the Parties hereunder shall commence on May 19, 2025 (the “Effective Date”); provided, however, that Lessee’s obligation to pay rent shall commence as set forth in Section 2, below. The initial term of this Lease shall be for a period of forty (40) years from the Effective Date unless otherwise cancelled or terminated as set forth herein (“Initial Term”). Upon expiration of the Initial Term, Lessee shall have the option to extend the Lease (“Renewal Term”) for one (1) additional ten (10) year renewal term upon mutual written agreement of the parties and upon the same terms set forth in this Lease, provided Lessee is not in default, except that the Base Rent shall be

adjusted in accordance with **Exhibit “D.”** Lessee shall provide notice of electing the Renewal Term by providing written notice to Lessor no less than sixty (60) days prior to the expiration of the Initial Term.

1.4 As long as Lessee is not in default under this Lease and except as otherwise set forth in this Lease, Lessee shall have peaceful and quiet enjoyment, use and occupancy of the Leased Premises during the Initial Term or any renewal, extension or modification thereof. However, nothing herein shall be construed to interfere or limit Lessor’s use, operation or maintenance of the Airport.

SECTION 2 Rent and Additional Charges.

2.1. The rent commencement date shall be the earlier of the third (3rd) anniversary of the Effective Date or upon issuance of the Certificate of Occupancy for the hangar construction project by the authority having jurisdiction (“Rent Commencement Date”). Beginning on the Rent Commencement Date, the Lessee shall pay to the Lessor annual base rent for the Leased Premises of Two Hundred Fifty-Seven Thousand Three Hundred Thirty-Five and 06/100 Dollars (\$257,335.06) for years three (3) through five (5) of the Initial Term, paid in monthly installments on the first (1st) day of each month, in the amount of Twenty-One Thousand Four Hundred Forty-Four and 59/100 Dollars (\$21,444.59) per month (“Base Rent”). Commencing on the fifth (5th) anniversary of the Effective Date, the annual Base Rent shall be adjusted in accordance with the rent schedule attached hereto as **Exhibit “D.”** No Base Rent shall be due before the Rent Commencement Date. In the event the Rent Commencement Date occurs, or Lessee takes possession on, a date other than the first (1st) of a calendar month or this Lease terminates on a date other than the last day of a calendar month, the then applicable monthly installment of Base Rent and any other amounts due therewith will be prorated for such partial calendar month. Lessee shall be entitled to a Rent Credit for Airport improvements shown in **Exhibit “E”**. Rent Credit shall be calculated based on the actual costs of

work with proof of payment multiplied by 1.25x. Any Rent Credit will be applied to Base Rent starting at Rent Commencement Date as indicated in **Exhibit “D.”** Any such Rent Credit shall not exceed Three Million Three Hundred Seventy-Five Thousand Dollars and 00/100 (\$3,375,000.00).

2.2 In addition to the payment of Base Rent, Lessee shall be responsible for paying directly for all utilities and taxes, including but not limited to electric, water, wastewater services, storm water, and refuse collection for the Leased Premises. Lessee shall be responsible for paying ad valorem taxes to the Lessor as specifically set forth in Section 2.7. No security deposit or advance rent shall be required.

2.3 Each monthly payment shall be paid, together with sales taxes, pass through expenses, (to the extent expressly authorized by this Lease and with appropriate supporting documentation) and all other applicable taxes and charges (“Additional Rent”), on or before the first (1st) day of each month. Late payments, which shall mean any payment received more than fifteen (15) days after the due date, shall bear a late payment charge equal to five percent (5%) of the late payment amount.

The Leased Premises may become subject to ad valorem and other property taxes, in which case, the Lessee shall directly pay such taxes in November of each calendar year to the Polk County Tax Assessor’s Office (“Tax Assessor”). Lessee shall pay for any such ad valorem taxes or other taxes assessed against the Leased Premises. The Lessor shall provide proof of the tax assessment following receipt of the tax bill, which shall then be payable by the Lessee directly to the Tax Assessor on the date payment would be due and provide Lessor with Lessee’s receipt of evidence of such payment. Subsequent to any such initial assessment, Lessor reserves the right to provide for periodic payments of the tax required by the Tax Collector. Lessor will pass through to the Lessee any ad valorem or other taxes or any other governmental charges or special assessments levied after the Effective Date pertaining to the Leased Premises; provided, however, such pass through of taxes or

other charges shall not include Lessor's federal or state income or franchise taxes (if applicable). Lessee shall have the right to contest any taxes, assessments or other charges, at its own cost, and to exercise all rights in connection therewith.

SECTION 3 Title.

Pursuant to this Lease and the Intended Use, the Lessee shall develop, construct, and place the MRO Facility, together with any and all supporting or ancillary taxiway, aircraft apron and other improvements designed to accommodate airplane design group V (ADG V) aircraft, including, without limitation, storage, offices, access roadways, parking, maintenance, self-fueling, and related aviation facilities, improvements, equipment, machinery, personal property, and uses and any and all other lawful improvements, which, all as reasonably determined by the Lessee are necessary or appropriate for the MRO Facility, the Intended Use or any other use allowed under this Lease and located on the Leased Premises (collectively the "Improvements"). Lessee shall be solely responsible for any costs associated with such Improvements. The MRO Facility and all Improvements shall be owned by Lessee during the Term of this Lease and thereafter; provided, however, that upon the expiration or termination of the later of the Initial Term or the Renewal Term, the MRO Facility and all Improvements shall become the property of the Lessor if not removed by the Lessee within one hundred eighty (180) days after such expiration.

SECTION 4 Use of Leased Premises.

4.1. The Premises, the MRO Facility, Improvements, and any other improvements or facilities located thereon, whether in existence or constructed in the future pursuant to the terms and conditions contained herein, shall be used for the Intended Use by Lessee and Lessee's third-party tenants, in compliance with all applicable building codes and regulations.

The Premises shall be used exclusively for aeronautical purposes and shall not be used for purposes that are detrimental to aviation, which shall include, but may not be limited to, activities that generate excessive light, glare or electromagnetic interference on the Premises that might interfere with the operation of aircraft to, from, or at the Airport. Any non-aeronautical use, including without limitation, residential use shall be prohibited on the Premises; provided, “non-aeronautical use” shall not mean any use contemplated by the Intended Use. For purposes of this Lease, “aeronautical use” shall have the same meaning as used by the Federal Aviation Administration in the Policy on Non-Aeronautical Use of Hangars, 81 Fed. Reg. 38906 (June 15, 2016).

4.2. The Lessee, or its agents or sublessees, shall be able to conduct self-fueling and self-service activities as set forth in Section 14 of the City of Lakeland Code, as may be amended from time to time. In the event that any such amendment would unduly prohibit any Intended Use pursuant to this Lease, then Lessee may terminate the Lease upon thirty (30) days prior written notice.

4.3 Lessor hereby consents to a leasehold mortgage of the Premises for Lessee to obtain financing for a portion of the costs associated with the MRO Facility, Improvements and other uses contemplated hereby (“Leasehold Mortgage”). In providing such consent, Lessor agrees to deliver reasonable subordination, non-disturbance and attornment agreements, estoppel certificates, and consents and certain certifications as to Lessee’s standing under the Lease (*e.g.*, payment of rents, lack of notice of violations, etc.) which are reasonably requested by the Lender (as hereinafter defined) or which are reasonable and customary in light of industry practices. Lessor also agrees that in the event any financial institution, lender or investor (collectively, a “Lender”) shall, for the purpose of perfecting its security interest or in connection with a

refinancing or securitization, reasonably request modifications to this Lease and/or execution of a ground lease estoppel agreement, Lessor shall labor in good faith to negotiate with such Lender to make such modifications and/or execute such ground lease estoppel agreement. Any such Leasehold Mortgage shall be subject to the provisions set forth in Section 4.5, which specifically prohibit any construction lien from being filed upon the Premises.

4.4 Copies of the plans for the construction of any Improvements upon the Leased Premises, including the site plan, are to be delivered to Lessor prior to the commencement of construction and shall include a taxiway of approximately 300 feet to the MRO Facility and other improvements suitable for the aircraft designated to be serviced by the MRO Facility. The Lessor shall reasonably approve or disapprove of any such plans and/or specifications no later than thirty (30) days after receiving construction approval by the Federal Aviation Administration, or other appropriate governmental authority. Lessor's approval shall not be unreasonably withheld, conditioned or delayed. Any reasons for Lessor's disapproval shall be specifically stated in writing, and provided within said thirty (30) days to Lessee, and the Lessee shall have a reasonable period of time to revise the plans and/or specifications to be responsive to the Lessor's reasonable requests. Lessor shall approve or disapprove the revised plans and/or specifications within fourteen (14) days; if disapproved, Lessor's disapproval shall again be specifically stated in writing and provided within said fourteen (14) day period to Lessee, and the Lessee shall have a reasonable period of time to revise the plans and/or specifications to be responsive to the Lessor's reasonable requests (repeating this process until the plans and/or specifications are approved).

Notwithstanding the foregoing, Lessor shall deliver the Leased Property in an "as-is" condition without representation or warranty by Lessor except as specifically set forth in this Agreement on the Effective Date. Lessee will engage in the following, as reasonably necessary,

to allow or facilitate the planning, development, construction, operation, maintenance, restoration, repair, replacement and servicing of the MRO Facility, Improvements or other improvements contemplated by the Intended Use, and the Intended Use: (i) permanent underground utility improvements, facilities and connections extended to the boundary line of the Leased Premises (and compatible with the plans and/or specifications and with sufficient capacity to service the MRO Facility, Improvements and Intended Use) to allow for Lessee's connection to potable water, electricity, sanitary sewer, re-use water (if applicable), storm sewer service, communications and other utilities lines and facilities; (ii) all roadways, driveways, turn lanes and other access improvements; and (iii) all reasonably necessary non-exclusive easements for access, ingress/egress, utilities and drainage in place and as otherwise required for the MRO Facility, the Improvements and the Intended Use.

All of the foregoing, or other improvements, equipment, facilities or easement or other rights, reasonably necessary to allow or facilitate the planning, development, construction, operation, maintenance, restoration, repair, replacement and servicing of the MRO Facility, Improvements or other improvements contemplated by the Intended Use, and the Intended Use shall be collectively referred to as the "Off-Site Improvements."

Lessee shall be responsible for all costs and expenses of, and obtaining and completing, the approval, permitting, development, construction, maintenance, repair and replacement of all Improvements for its Intended Use as specified above, as well as Off-Site Improvements and repair or replacement of all Off-Site Improvements located outside of the Lease Premises. However, Lessor agrees to reasonably assist Lessee in obtaining any necessary zoning and permitting approvals.

If Lessor does not deliver possession of the Leased Premises to Lessee as required hereby within thirty (30) days after the Effective Date, Lessee may elect to cancel this Lease by giving written notice to Lessor after the thirty (30) day period ends. If Lessee gives such notice, and Lessor does not deliver possession of the Leased Premises to Lessee as required hereby within ten (10) days after receipt of said notice, at the Lessee's option, the Lease shall be canceled and neither Lessor nor Lessee shall have any further obligations to the other. If Lessee does not give such notice, or if Lessee does give such notice and Lessor delivers possession of the Leased Premises as required hereby within ten (10) days after receipt of said notice, Lessee's right to cancel the Lease due to delay in delivery of possession shall expire and the Lease shall continue in accordance with its terms, subject to a day-for-day extension of Lessee deadlines (including but not limited to the Design Phase Period and Permitting Period) for each day that Lessor delayed after the Effective Date until Lessor's delivery of possession of the Leased Premises to Lessee as required hereby. With Lessee's written approval, Lessor may extend the time needed to perform the work noted above, specifically the utilities brought to the Leased Premises boundaries, and shifting of the electrical vault to accommodate Lessee's taxiway work on the site; provided, however all of such work must be completed by the end of construction.

Upon delivery of possession of the Leased Premises to Lessee as set forth herein, Lessee shall commence construction of the MRO Facility no later than twenty-four (24) months except as such time period may otherwise be extended upon mutual written agreement of the Parties or for an additional twenty-four (24) month period in the event the Lessor or a third party fails to comply with its Lease obligations or causes unreasonable delays resulting in Lessee's inability to commence construction of the MRO Facility. If Lessee fails to commence construction during that time and does not otherwise make reasonable efforts toward the completion of such

construction, then Lessor reserves the right to terminate the Agreement within sixty (60) days prior written notice to Lessee.

4.5 The MRO Facility, Improvements, and other buildings, structures, and other improvements, including any machinery, equipment and other fixtures or personal property located on the Premises shall be the property of the Lessee, and the Lessor shall have no interest therein for the Initial Term of this Lease and the Renewal Term, except as provided herein or as may be provided by law. Other than a leasehold mortgage and related security interests and instruments, Lessee has no authority to obligate the Premises for the costs of any improvements and shall not permit any construction lien to be filed upon said Premises. Notwithstanding the foregoing sentence, pursuant to Section 4.3 of this Lease, Lessor hereby consents to a leasehold mortgage of the Premises by Lessee to Lessee's Lender, provided that in the event of foreclosure, the Lender shall agree to be bound to the obligations of Lessee as set forth herein.

4.6 Subject to Lessee's right to retain ownership of and remove the MRO Facility, and any Improvements, all Improvements located on the Premises shall become property of the Lessor upon the expiration of this Lease and any renewals or extensions.

4.7 Lessee's Right Upon Termination. At the termination of this Lease (including the termination at the end of the Renewal Term), provided Lessee is not in default, then Lessee:

(a) may, at its option, leave in place on the Premises the MRO Facility and all Improvements, except for any portion of the MRO Facility or Improvements (or any other personal property and equipment) which the Lessee may choose to remove; provided, however, that with respect to any of the foregoing which Lessee shall elect to remove, the Lessee shall have one hundred eighty (180) days after such termination in which to remove all such items. In the event that the

foregoing removal by Lessee exceeds the one hundred eighty (180) day period, Lessee shall pay rent at the then-current rate for any excess days; and

(b) shall transfer title to Lessor for any portion of the MRO Facility or Improvements (or any other personal property and equipment) which the Lessee may choose to leave on the Premises and Lessee hereby agrees to execute all appropriate documents to vest title to said portions of the MRO Facility or Improvements (or any other personal property and equipment) free and clear of any and all liens and encumbrances.

SECTION 5 Construction and Development Requirements.

The Lessee may sell, sublet, assign or transfer, all or any portion of the Premises, the MRO Facility, Improvements, or its rights and/or obligations under the Lease with the prior written approval of the Lessor, which approval shall not be unreasonably withheld, conditioned or delayed. In reviewing a request by the Lessee to sell, 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 for aviation purposes. If the Lessor approves the sale, sublease, assignment or transfer of any portion of the Leased Premises, the MRO Facility, Improvements, or Lessee's rights and/or obligations under the Lease, the Lessee shall remain liable for any and all obligations under this Lease, unless on the basis of reasonable evidence presented, that the purchaser, sublessee, assignee or transferee has the requisite financial capacity, resources and business plan to satisfy any and all obligations hereunder. The requirement to obtain Lessor's reasonable approval applies, without limitation, to any sale, sublease, assignment, or transfer which would occur by operation of law; sale, sublease, assignment, or transfer to or by a trustee or receiver in any federal or state bankruptcy, receivership or other insolvency proceeding; and the sale, sublease, assignment, or transfer of all or substantially all of Lessee's assets. Under no circumstances shall the Lessee sell, sublease, assign, or transfer all or any

portion of the Leased Premises, the MRO Facility, Improvements, or Lessee's rights and/or obligations under the Lease for residential use or other uses not set forth and approved in this Lease. Notwithstanding anything in this Section to the contrary, Lessee shall have the right to assign the Lease to an Affiliate (as hereinafter defined) without Lessor's consent provided that Lessee provides Lessor with (i) advance written notice of the assignment; (ii) proof that the Affiliate has all insurance in place required to be maintained under this Lease; and (iii) a copy of the fully executed assignment and assumption of lease document. As used in this Section, the term "Affiliate" means an affiliate of Lessee as defined in Rule 405 promulgated under the Securities Act of 1933, as amended. The term "Affiliate" shall also include any entity which succeeds to Lessee's business by reason of merger, consolidation or purchase of all or substantially all of Lessee's assets.

SECTION 6 Maintenance and Repair Obligations.

6.1. Unless specifically authorized by the other terms of this Lease, no improvements, other than the MRO Facility and the Improvements, may be constructed or placed upon the Premises without the prior written approval of the Lessor, which approval shall not be unreasonably withheld, conditioned or delayed. The MRO Facility and Improvements shall be fully consistent with the currently approved Airport Layout Plan maintained by the Lessor and adhere to all local building codes and regulations. The plan and/or specifications approvals procedure for the MRO Facility and other Improvements shall be in accordance with Section 4.4 of this Lease.

If Lessee constructs the MRO Facility and Improvements and thereafter decides to sell or lease the MRO Facility and Improvements, and in conjunction therewith assigns or subleases the Lessee's rights, interests and obligations under this Lease (collectively the "Leasehold Conveyance"), Lessee shall first be required to deliver written notification to the Lessor that it has decided to initiate the marketing and sale process for such Leasehold Conveyance (the "Leasehold Conveyance

Notice"). Lessor shall have ten (10) days after receipt of the Leasehold Conveyance Notice to deliver written notification to Lessee either that (i) it will not engage in negotiations to execute a letter of intent or contract to acquire the Leasehold Conveyance, or (ii) that it will engage in negotiations to execute a letter of intent (the "Letter of Intent") or contract (the "Leasehold Conveyance Contract") to acquire the Leasehold Conveyance (the "Leasehold Conveyance Notice Response"). If Lessor elects to engage in negotiations as specified in clause (ii) above, the Lessee and Lessor shall have a period of forty-five (45) days to negotiate the terms of a Letter of Intent. If the Lessee and Lessor agree on the terms of the Letter of Intent they shall execute same and then shall have a period of thirty (30) days after the execution of the Letter of Intent to negotiate and agree on the terms and conditions of the Leasehold Conveyance Contract. If after Lessor elects to engage in the negotiations specified in clause (ii) above, the parties cannot agree on the Letter of Intent or the Leasehold Conveyance Contract within the required time periods, then Lessee or Lessor shall have the right to terminate the negotiations, in which case Lessee shall have the right to initiate and continue the marketing and sale process for such Leasehold Conveyance to third parties and shall have no further obligation to negotiate with or offer a Leasehold Conveyance to Lessor. Similarly, if Lessor elects not to engage in the negotiations as provided in clause (i) above, then Lessee shall have the right to initiate and continue the marketing and sale process for such Leasehold Conveyance to third parties and shall have no further obligation to negotiate with or offer a Leasehold Conveyance to Lessor.

6.2. The Lessee expressly agrees for itself, its successors and assigns, to restrict the height of the MRO Facility and all Improvements 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. The Lessee agrees to comply with the notification and review requirements of said regulations in the event any future structure or building is planned for the

leased Premises, or in the event of any planned modification or alteration of any present or future MRO Facility or Improvements situated on the Premises.

6.3. Lessee agrees to comply with all applicable codes, ordinances, statutes, or regulations of any governmental authority having jurisdiction in the design and construction of Improvements made upon the Premises. Lessee shall provide Lessor with a copy of as-built plans for the MRO Facility and any Improvements on said Premises.

6.4. The Lessor shall have the right to install all navigation aids at the Airport as may be identified on the current Airport Layout Plan (ALP) and any future ALP approved by the Federal Aviation Administration. Lessor may furnish portions of the Airport to the Federal Government in connection with air traffic control and navigation facilities. No structure, sign, appurtenance, projection, or modification shall be installed or kept in place by Lessee on the Premises without the prior reasonable written approval from the Lessor and any applicable federal, state, county, or other governmental agency provided however, Lessee is permitted to install signage at the entrance to the Leased Premises within the Airport property, as well as directional signage, and its pro rata share of monument signage on roadways within the Airport property subject to compliance with all governmental regulations and as approved by the Airport Director, which such approval shall not be unreasonably withheld.

SECTION 7 Indemnification and Liability. Insurance

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 or willful misconduct of the Lessee, its agents or

employees but only to the extent not resulting from the negligence or willful misconduct of Lessor, its agents or employees, arising from and/or in connection with this Lease or any operations necessary and incidental 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 unremedied violation of any federal, state, county or city law, by-law, ordinance, or regulation by such Lessee, its agents, trainees, invitees, servants or employees but only to the extent such violation is a breach of Lessee's duties hereunder and not pertaining to an issue that is Lessor's obligation.

7.3 It is the intention of the Parties that Lessor shall be solely responsible for any environmental contamination contained on the Premises leased by the Lessee prior to Lessee occupying said Premises, and for any and all remediation and other costs and expenses and any damages resulting therefrom. Lessee shall be responsible for any environmental contamination that occurs on the Effective Date of this Lease or thereafter, only if due to Lessee's activities occurring on the Premises after Lessee takes possession. Lessee, at its sole cost and expense, reserves the right to conduct Phase 1, Phase 2 and other environmental surveys, examinations and audits prior to the Effective Date, to ensure that there are no environmental contamination or hazardous wastes located on the Leased Premises. Prior to execution of the Agreement, Lessor shall provide Lessee with copies of all existing environmental reports, surveys, examinations and audits related to the Leased Premises.

7.4. The Lessee covenants and agrees to comply with all provisions of the Insurance Requirements, attached hereto as **Exhibit "B"** and incorporated by reference herein, and Insurance requirements defined in the Airport's Minimum Standards incorporated by reference herein, as they

may be amended from time to time. The amounts of insurance coverage set forth in **Exhibit “B”** are set in contemplation of Lessee’s Intended Use of the Leased Premises. In the event of any change, alteration or expansion of the Intended Use of the Leased Premises, the minimum limits of such coverage shall be subject to reasonable adjustments by the Lessor so as to reflect any increase in risk or exposure.

7.5 Each policy required pursuant to **Exhibit “B”** shall name the Lessor, City of Lakeland, as an additional insured and carry a provision that it will not be canceled without thirty (30) days prior written notice to the Lessor, to the extent permitted under state law and regulation. The Lessee shall provide to the Lessor evidence satisfactory to the Lessor demonstrating that the required insurance will be in effect as of the Effective Date and remains in effect throughout the term hereof. The Lessee shall cause to be inserted in any policy or policies of insurance acquired by the Lessee with regard to this Lease a so-called “waiver of subrogation” clause. The Lessee hereby waives, releases and discharges the Lessor, its agents and employees from all claims whatsoever arising out of loss, claim, expense or damage to or destruction covered by the Lessee’s insurance arising out of this Lease notwithstanding that such loss, claim, expense or damage may have been caused by Lessor, its agents or employees, and Lessee agrees to seek compensation only through its insurance coverage in the event of such loss.

7.6. During the term of this Lease and any extension or renewal hereof, the Lessee shall keep each building constructed upon the leased land insured against fire or other casualty by a reputable insurance company doing business in the State of Florida, in an amount not less than one hundred percent (100%) of replacement cost and the cost of demolition and the removal of debris as reasonably established from time to time by the Lessor. In the event of any damage to the MRO Facility or Improvements, Lessee shall, as soon as is reasonably possible under the circumstances,

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, or to such other condition as the Parties may agree, and return such structures and improvements to working order, if (i) insurance proceeds are awarded to Lessee as a result of such damage or destruction, and (ii) such damage or destruction does not occur ten (10) years of the Initial Term or the Renewal Term. In either case the Lessee shall be responsible to remove resulting debris and restore the Leased Premises to a neat and presentable condition, as soon as is reasonably possible under the circumstances.

SECTION 8 Inspection Rights by Lessor. Environmental Responsibilities of Lessee

The Lessor reserves the right for the Airport Director (“Director”) or his/her duly authorized representative, who shall provide at least 72 hours’ written notice to Lessee, to enter the Leased Premises during normal business hours for the purpose of performing such inspections reasonably considered necessary by the Director or designee, 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 warrant 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 shall, after written notice and as soon as is reasonably possible under the circumstances, correct any condition which is a hazard to life or property. The Lessee agrees that the transportation, storage, management and use of any explosives, gasoline or other highly flammable materials, in, on or about the Leased Premises shall be in strict compliance with the Airport Minimum Standards, Airport Rules and Regulations and any other standards or compliance requirements imposed by any governmental agency with jurisdiction.

SECTION 9 Maintenance, Repair Obligations

9.1. Commencing upon the earlier of issuance of (i) a temporary certificate of occupancy or (ii) a certificate of occupancy, and excluding punch list items, Lessee shall, at its expense and as soon as is reasonably possible under the circumstances, perform all maintenance and repairs associated with the Leased Premises including the painting of the exterior of the facility so as to maintain a neat and orderly condition of the facility. The maintenance responsibilities are more particularly described in **Exhibit “C”**.

9.2. Commencing upon the earlier of issuance of (i) a temporary certificate of occupancy or (ii) a certificate of occupancy, and excluding punch list items, Lessee shall also, at its expense maintain the grounds and exterior signage of the building so as to present a neat and orderly exterior appearance at all times during the term of this Lease. The Parties shall mutually cooperate with each other to ensure that the maintenance obligations set forth herein shall occur as soon as reasonably possible.

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

9.4 The Lessee shall be responsible for removing trash from the Leased Premises to an area at a designated location within a reasonable and adjacent distance to the site. This location shall be agreed to by the Lessor for collection by the municipal sanitation service and shall remove trash on not less than a weekly basis.

SECTION 10 Defaults and Remedies.

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' written notice in the case of any other default (provided, however, if Lessee's failure cannot reasonably be cured within thirty (30) days, Lessee shall be allowed additional time as is reasonably necessary to cure the failure (including day-for-day extension due to force majeure) so long as (i) Lessee commences to cure the failure within thirty (30) days, and (ii) Lessee diligently pursues a course of action that will cure the failure and bring Lessee back into compliance with the Lease), exercise any one or more of the remedies set forth in Section 11, below. The Lessor may, at its option, draw upon a deposit hereunder in full or partial satisfaction of the Lessee's failure to pay the rent or other fees required hereunder. The 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 (subordinate to the lien of Lessee's Lender/mortgagee).

Upon the failure of Lessor to keep, observe or perform any term, provision or covenant of this Lease required hereunder to be kept, observed or performed by Lessor within fifteen (15) days following written notice that such performance was due; provided, however, if Lessor's failure cannot reasonably be cured within fifteen (15) days, Lessor shall be allowed additional time (not to exceed thirty (30) days, except as shall be extended day-for-day due to force majeure) as is reasonably necessary to cure the failure so long as: (iii) Landlord commences to cure the failure within fifteen (15) days, and (iv) Lessor diligently pursues a course of action that will cure the failure and bring Landlord back into compliance with the Lease, Lessee may seek specific performance in addition to all other remedies provided at law or in equity.

SECTION 11 Termination and Early Exit Rights.

Upon the occurrence of an event of default, as set forth in Section 10, which default has not been remedied within the applicable grace or cure period, 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 thirty (30) 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 thirty (30) 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 subparagraphs (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, for a period not to exceed twelve (12) months. Lessee reserves the right to remove any personal property which shall not include building or fixtures. The Lessee promises and agrees to pay the amount of any such deficiency as required by this subsection and the Lessor may at any time sue and recover judgment for any such deficiency or draw upon any deposit provided by the Lessee or both.

SECTION 12 Remedy Rights and Disclaimer.

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 Section, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or required by state or federal law.

SECTION 13 Subordination of Ground Lease to Covenants & Restrictions of Lessor.

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 International Airport from the United States of America, insofar as such covenants and restrictions remain in effect from time to time and after the date hereof, 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 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 planning, improvement or expansion of the Airport.

13.3 Should the Department of Transportation, Federal Aviation Administration or any successor department or agency 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 the United States of America, the Parties shall amend this Lease as necessary to resolve the inconsistency. If the Parties cannot agree on the manner in which to resolve the inconsistency, the Lease may terminate upon mutual written agreement of the Parties or the Parties, upon mutual written agreement, may amend the Lease to resolve the inconsistency. Lessor shall be obligated to make a determination, within sixty (60) days after such determination, unless otherwise extended upon mutual written agreement of the Parties, that this Lease is consistent with the covenants and restrictions of the deeds under which the Lessor acquired the Airport, and the provisions of any existing agreement entered into between the Lessor and the United States of America.

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 said Airport or the exclusive or nonexclusive use of the Airport by the United States of America during the time of war or national emergency; provided that rent shall be abated during any such interruption in Lessee's use of or operations at the Leased Premises and if such period of abatement continues for more than sixty (60) days, the Lessee, at Lessee's option, shall have the right to terminate this Lease.

13.5 If all or any part of the Airport or Leased Premises shall be acquired by the exercise of eminent domain so that the Leased Premises shall become commercially impractical for Lessee to use for the Intended Use, Lessee may terminate this Lease as of the date that actual possession thereof is so taken by giving written notice to Lessor. Nothing herein shall be construed to preclude Lessee

from prosecuting any claim directly against the condemning authority for loss of business, moving expenses, damage to, and cost of, improvements, trade fixtures, furniture and other personal property belonging to Lessee.

13.6 The Lessor expressly reserves the right to prevent any use of the described Leased Premises which would unreasonably interfere with or adversely affect the operation or maintenance of the Airport or otherwise constitute an Airport hazard.

SECTION 14 Use of Leased Premises – cont.

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 40 U.S.C. Section 40103(e) or 49 U.S.C. Section 47107(a)(4) or any grant assurance thereunder.

SECTION 15 Covenants

15.1. The Lessee, on behalf of itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, hereby covenants and agrees 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) 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) 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.

SECTION 16 Lessor's Self-Help Remedies and Right to Close Airport.

Lessor reserves the right to take whatever actions necessary for the operation, 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. The Lessor may order the temporary closure of the Airport in the interest of safety or for other special events as approved by the Federal Aviation Administration. The Lessee agrees to abide by any such order issued by the Lessor. Lessor shall not be liable to the Lessee for monetary damages that may result from any temporary closure of the Airport.

SECTION 17 Rights of Lessor.

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 Premises,

together with the right to cause in the airspace such noise, fumes, dust and vibration 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 Lessee's Right to Easements to Access Site.

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 Leased Premises for the purpose of permitting Lessee to enjoy the rights, uses, and privileges granted by the Lessor.

SECTION 19 Lessee's Obligations.

The Lessee covenants and agrees to promptly repair or remove any disabled vehicles located on the Premises or any joint use areas of the Airport.

SECTION 20 Lessee's Obligations as Part of its Use.

The Lessee specifically covenants and agrees to observe and obey the Airport's Rules and Regulations and Minimum Standards, as the same may be amended from time to time, as adopted and promulgated by the Lessor, and delivered to Lessee in written form, for operation at the Airport; provided, such Rules and Regulations and Minimum Standards shall not materially affect any of Lessee's rights, interests or obligations arising hereunder. Lessee shall remain in full compliance with the Airport Rules and Regulations, as the same may be amended from time to time, any Notice to Air Missions issued by the Lessor and published by the Federal Aviation Administration, and any regulations or orders issued by the Federal Aviation Administration, including without limitation, 14 C.F.R. Part 91, as the same may be amended from time to time.

The 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 Department of Homeland Security, Transportation Security Administration or any successor

department or agency, and all ordinances and rules issued by the Lessor related to security, including without limitation rules issued in furtherance of the Lessor's security program. The Lessee further covenants and agrees to alter and improve the Premises as reasonably required to comply with any such law, regulation, directive, ordinance or rule.

SECTION 21 Notice Provisions.

The Lessor hereby designates the Airport Director as its official representative with the full power to represent the Lessor in all dealings with the Lessee in connection with this Lease or the Leased Premises, subject to approval by the Lakeland City Commission. The Lessee hereby designates Will Obeid, as its official representative with the full power to represent the Lessee in all dealings with the Lessor in connection with this Lease or the Leased Premises. The Parties may designate by written notice to the other, alternate representatives from time to time, and such representatives may exercise those rights and duties of the Parties as may be necessary to effectuate the purposes of this Lease.

Notice to the Lessor shall be sufficient if in writing and sent or delivered to the Airport Director, Lakeland Linder International Airport, City of Lakeland, 3900 Don Emerson Drive, Suite 210, Lakeland, Florida 33811, Email: lakelandairport@lakelandgov.net; and notice to the Lessee named herein shall be sufficient if in writing and sent or delivered to Lessee at Arcade Aviation LLC c/o Arcade Capital LLC, Attn: Will Obeid 477 Madison Avenue – 6th Floor, New York, New York 10022, Email: wobeid@arcadecapital.com, with a copy to Lessee's legal counsel at: Keating & Schlitt, P.A., Attn: John Kingman Keating, Esquire, 250 East Colonial Drive, Suite 300, Orlando, Florida, 32801; Email: jkk@keatlaw.com. Any notice or demand so given, delivered or made by United States mail shall be deemed to have been given: (a) in the case of hand delivery, when delivered to the address set forth above, (b) in the case of mailing, on the second business day after said document has been deposited in the United States Mails, postage prepaid, and sent by certified

or registered mail and addressed to the other party at the address set forth above, and (c) in any case (including electronic delivery) upon the actual receipt by the other party. Delivery to either party's legal counsel shall be deemed sufficient and complete delivery to such party. 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 22 Binding Agreement.

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. This Lease shall not confer any rights or remedies upon any third-party not a party to this Lease.

SECTION 23 Taxes.

The Lessee shall be responsible for and pay any and all ad valorem property taxes or such other taxes which are assessed on the Premises or this Lease, all sales taxes and all utility charges. The Lessor will provide to the taxing authority such information as is required so that the Lessee's taxable interests shall be separated from the Lessor's Lessee shall be solely responsible for the payment of any and all of its own taxes associated with the Leased Premises.

SECTION 24 Dispute Resolution.

Should it become necessary for the Lessor to bring any action at law or equity to enforce or interpret this agreement or to remove the Lessee from the Leased Premises, the prevailing party shall be entitled to all costs, including reasonable attorney's fee at both trial and appellate levels.

SECTION 25 Governing Law.

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 Lease or to remove Lessee from the Premises shall be Polk County, Florida.

SECTION 26 Severability of Agreement.

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 full force and effect.

SECTION 27 Final Agreement.

This Lease and the Exhibits attached hereto contain the entire agreement of the Parties with respect to the subject matter of this Lease, and supersede all prior negotiations, agreements and understandings with respect thereto. This Lease may only be amended by a written document duly approved and executed by the Parties hereto.

SECTION 28 Termination and Early Exit Rights.

Notwithstanding anything herein this Lease to the contrary, commencing on the Effective Date and continuing for a period of one hundred eighty (180) days therefrom (the "Design Period"), Lessee along with its third party engineers, professionals, consultants, architects, and contractors (collectively the "Lessee Vendors") shall be developing detailed construction drawings, budgets, and approvals necessary for the Project. Lessee and its agents and representatives shall have reasonable access to the Leased Premises at all reasonable times during normal business hours, after reasonable advance notice to Lessor (which notice may be given by email to the Airport Director and Assistant Airport Director, for the purpose of conducting inspections and tests, including surveys and architectural, engineering, geotechnical and environmental inspections and tests. The rights granted to Lessee pursuant to this Section shall be exercised only after Lessee, or Lessee's Vendors, which intend to enter upon the Leased Premises, have provided to Lessor a certificate of liability insurance, naming Lessor as an additional insured, with at least \$1,000,000.00 single limit coverage.

Lessee shall have until 5:30 p.m. eastern time on the last day of the Design Period in which to examine, inspect, and investigate the Leased Premises and, in Lessee's sole and absolute judgment and discretion, determine whether the Leased Premises construction drawings and plans falls within the Lessee's concept budget and scope, as determined in Lessee's sole and absolute discretion. Lessee may terminate this Lease for any reason or no reason at all by sending written notice thereof to Lessor (the "Design Period Termination Notice") on or before 5:30 p.m. eastern time on the first business day following expiration of the Design Period. Unless Lessee timely delivers a Design Period Termination Notice pursuant to this Section, then upon expiration of the Design Period, this Lease shall continue in full force and effect (Subject to Section 29 below and all other conditions precedent to the effectiveness of this Lease). In the event Lessee timely delivers a Design Period Termination Notice pursuant to this Section, all rights and obligations hereunder, except those specifically intended to survive any such termination, shall terminate.

Lessee indemnifies and holds Lessor harmless from and against any and all liens, claims, causes of action, damages, liabilities and expenses (including reasonable attorneys' fees) arising out of Lessee's inspections or tests permitted under this Lease or any violation of the provisions of this Section 28; provided, however, that the foregoing indemnification shall not apply to claims arising out of any pre-existing condition on or affecting the Leased Premises that is discovered or disclosed as a result of Lessee's inspections and tests. Lessee's obligations under this Section shall survive the termination of this Lease.

SECTION 29 Termination and Early Exit Rights (cont.).

Notwithstanding anything herein this Lease to the contrary, commencing on the date which Lessor issues written approval in accordance with Section 4.4 of Lessee's plans to develop the Leased Premises for Lessee's Intended Use and continuing for a period of ninety (90) days therefrom (the

“Permitting Period”), Lessee shall diligently, expeditiously, and in good faith apply for and pursue the issuance of the necessary approvals and permits from governmental and non-governmental authorities, agencies and boards to allow the Intended Use on the Leased Premises (collectively the “Approvals”). Lessee and Lessor shall reasonably cooperate with each other and with the governmental and non-governmental authorities to obtain the Approvals, provided Lessor shall not be obligated to incur or pay any material cost, expense or charges related thereto. For purposes of this Lease, Lessor agrees, subject to Lessor’s written approval, which approval shall not be unreasonably withheld, conditioned or delayed, to assist Lessee with any applications within ten (10) days from written request for same by Lessee and delivery by Lessee to Lessor of any and all such applications and related plans, specifications, documentation and materials. Lessee shall be obligated to pay the cost and expense of obtaining the Approvals and Lessor shall have absolutely no obligation or liability with regard to same, except to cooperate with the efforts of Lessee to obtain the Approvals and any applications.

The receipt of all Approvals shall be a condition precedent to the Lessee’s obligation to proceed under this Lease and in the event the Lessee shall fail to obtain all such Approvals on or before the first (1st) business day following the expiration of the Permitting Period, Lessee may, at its option, terminate this Lease by sending written notice thereof to Lessor (the “Approvals Termination Notice”) in which event any sums paid by Lessee to Lessor hereunder shall be returned to Lessee, and all rights and obligations hereunder, except those specifically intended to survive any such termination, shall terminate; provided, however, (i) Lessee shall have the option to extend the Permitting Period for an additional ninety (90) days which election must be exercised by delivery of written notification thereof to Lessor one (1) business day prior to expiration of the initial Permitting Period; and (ii) in the event Lessee is unable to obtain the Approvals during the initial Permitted

Period (or as extended, if applicable) and elects to terminate this Lease, Lessor shall have the right to attempt to obtain the Approvals necessary to Lessee's Intended Use which election must be exercised by delivery of written notification thereof to Lessee within one (1) business day after delivery of Lessee's Approvals Termination Notice. If Lessor makes such election set forth in item (ii) preceding, this Lease shall remain in full force and effect for a period of one hundred and twenty (120) days from Lessor's written election and Lessor shall have such 120-day period within which to attempt to obtain the Approvals. If Lessor obtains the Approvals within such 120-day period, this Lease shall continue; if Lessor is unable to obtain the Approvals within such 120-day period, this Lease shall automatically terminate in which event any sums paid by Lessee to Lessor hereunder shall be returned to Lessee, and all rights and obligations hereunder, except those specifically intended to survive any such termination, shall terminate.

SECTION 30 Brokerage.

The Mahr Company ("Lessee's Broker") shall be entitled to receive a commission in the amounts, and upon the terms and conditions, contained in a commission agreement between Lessee and Lessee's Broker; provided, however, no commission shall be due if this Lease terminates in accordance with Sections 28 or 29, above. Lessor warrants and represents to Lessee that no broker or other party is entitled, as a result of the actions of Lessor, to a commission or other fee resulting from the execution of this Lease. Lessor agrees to indemnify and hold Lessee other harmless from any loss, cost, damage or expense (including reasonable attorneys' fees) incurred by Lessee as a result of the untruth or incorrectness of the foregoing warranty and representation, or failure to comply with the provisions of this subparagraph. Lessee's Broker is representing Lessee in connection with this Lease and is not representing Lessor.

SECTION 31 Time of the Essence.

Time, and timely performance, is of the essence of this Lease and of the covenants and provisions hereunder. Any time period that shall end on a Saturday, Sunday, legal holiday, or bank holiday shall extend to 5:30 p.m. of the next full business day. In the event it shall be necessary for either party to this Lease to bring suit to enforce any provision hereof or for damages on account of any breach of this Lease, the prevailing party shall be entitled to recover from the non-prevailing party, in addition to any damages or other relief granted as a result of such litigation, all costs and expenses of such litigation and reasonable attorneys' fees (including reasonable attorneys' fees and costs at trial and in any appellate or bankruptcy proceedings) as determined by the Court. It is the intent and understanding of Lessee and Lessor that this Lease is solely between them and for their benefit and, accordingly, no party other than Lessee and lessor shall have any rights or privileges under this Lease either as third-party beneficiaries or otherwise. Notwithstanding anything herein to the contrary, the liability of Lessee for failure to perform its obligations hereunder shall be nonrecourse and is expressly limited to Lessee's respective interests in the Lease and the Premises.

SECTION 32 Force Majeure.

In the event that either party shall be delayed or hindered in, or prevented from, the performance of any work, service or other acts required under this Lease to be performed by the party and such delay or hindrance is due to strikes, lockouts, acts of God, governmental restrictions, enemy act, civil commotion, unavoidable fire or other casualty, or other causes of a like nature beyond the control of the party so delayed or hindered, then performance of such work, service or other act shall be excused for a period of such delay and the period for the performance of such work, service or other act shall be extended for a period equivalent to the period of such delay. In no event shall such delay constitute a termination of this Lease. Written notice of any such delays, other than temporary

or emergency interruptions, shall be given to the other party as well as written notice of the cessation of the same.

SECTION 33 Titles and Headings for Reference Only.

The titles and headings contained in this Agreement are for convenience of reference only and shall not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

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.

LESSOR:

ATTEST: **CITY OF LAKELAND, FLORIDA,
a municipal corporation**

BY: _____
Kelly S. Koos, City Clerk

BY: _____
H. William Mutz, Mayor

Date: _____

(Seal)

APPROVED AS TO FORM AND CORRECTNESS

BY: _____
Palmer C. Davis
City Attorney

LESSEE:

**Arcade Aviation LLC, a FL limited
liability company**

ATTEST:

By: _____
(Signature)

Printed Name: _____

By: _____

Printed Name: _____
Title: _____

Date: _____

Exhibit "A"
DESCRIPTION OF PREMISES

(MAP)

Approximately 16.41 acres of unimproved land located within the Air Operation Area abutting Airport Perimeter Road East and Drane Field Road in the NE corner of the Lakeland International Airport, as approximately depicted below:

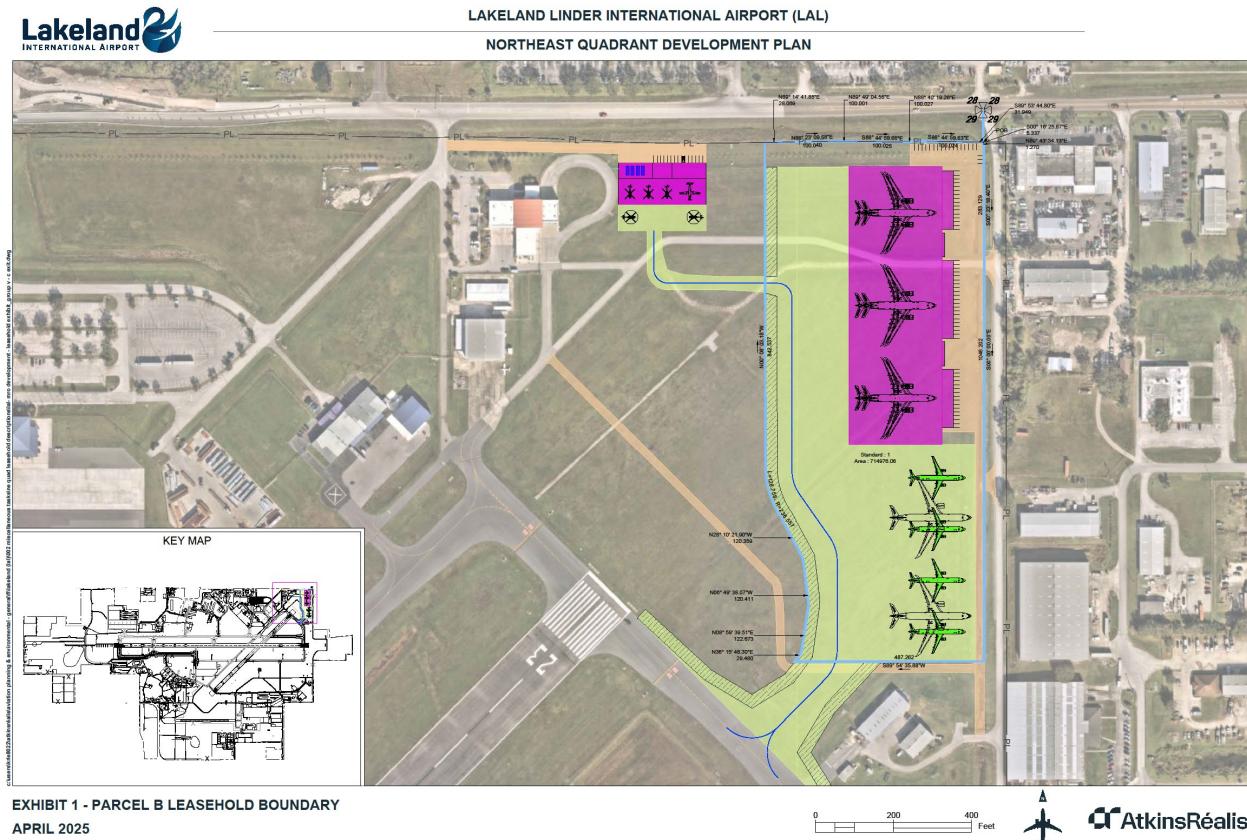


Exhibit "A" cont'd.

(LEGAL DESCRIPTION)

Parcel B

LEGAL DESCRIPTION

COMMENCE at the Northeast corner of the Northeast quarter of the Northeast quarter of Section 4, Township 29S, Range 23E, Polk County, Florida.

THENCE South 00° 06' 15.20" West for a distance of 82.69 feet to the POINT OF BEGINNING (POB) whose Northing is 1331385.082 and whose Easting is 654073.925 ; thence bearing S 0-16-25.868 E a distance of 5.337 feet ; thence bearing N 89-43-34.132 E a distance of 1.270 feet ; thence bearing S 0-23-18.403 E a distance of 283.129 feet ; thence bearing S 0-0-0.000 E a distance of 1046.202 feet ; thence bearing S 89-54-35.881 W a distance of 487.262 feet ; thence bearing N 36-15-46.304 E a distance of 29.480 feet ; thence bearing N 8-59-39.511 E a distance of 122.673 feet ; thence bearing N 6-49-38.071 W a distance of 120.411 feet ; thence bearing N 28-10-21.897 W a distance of 120.359 feet ; thence along a curve to the RIGHT, having a radius of 236.557 feet, a delta angle of 31° 11' 09.73", and whose long chord bears N 18-4-58.240 W a distance of 128.758 feet ; thence bearing N 0-8-3.184 W a distance of 842.537 feet ; thence bearing N 89-14-41.854 E a distance of 28.069 feet ; thence bearing N 88-23-9.577 E a distance of 100.040 feet ; thence bearing N 89-49-4.558 E a distance of 100.001 feet ; thence bearing S 88-44-59.657 E a distance of 100.025 feet ; thence bearing N 88-40-19.261 E a distance of 100.027 feet ; thence bearing S 88-44-59.630 E a distance of 100.024 feet ; thence bearing S 89-53-44.799 E a distance of 31.949 feet to the POINT OF BEGINNING (POB), having an area of 16.41 acres +/-.

Exhibit "B"
INSURANCE REQUIREMENTS

STATEMENT OF PURPOSE

The City of Lakeland (the "City") from time to time enters into agreements, leases, and other contracts with Other Parties (as hereinafter defined).

Such Agreements shall contain at a minimum risk management/insurance term to protect the City's interests and to minimize its potential liabilities. Accordingly, the following minimum requirements shall apply:

CITY DEFINED

The term City (wherever it may appear) is defined to mean the City of Lakeland itself, its Commission, employees, volunteers, representatives, and agents.

OTHER PARTY DEFINED

The term Other Party (wherever it may appear) is defined to mean the other person or entity which is the counter-party to the Agreement with the City and any of such Other Party's subsidiaries, affiliates, officers, employees, volunteers, representatives, agents, contractors, and subcontractors.

LOSS CONTROL/SAFETY

Precaution shall be exercised at all times by the Other Party for the protection of all persons, including employees, and property. The Other Party shall comply with all laws, rules, regulations, or ordinances related to safety and health, and shall make special effort to anticipate and detect hazardous conditions and shall take such precautionary and prompt action where loss control/safety measures should reasonably be expected.

The City may order work to be stopped at any time, without liability, if conditions exist that present immediate danger to persons or property. The Other Party acknowledges that such stoppage, or failure to stop, will not shift responsibility for any damages from the Other Party to the City.

INSURANCE - BASIC COVERAGES REQUIRED

The Other Party shall procure and maintain the following described insurance, except for coverage specifically waived by the City of Lakeland, on policies and with insurers acceptable to the City, and insurers with AM Best ratings of no less than A.

These insurance requirements shall in no way limit the liability of the Other Party. The City does not represent these minimum insurance requirements to be sufficient or adequate to protect the Other Party's interests or liabilities, but are merely minimums.

"Except for workers' compensation and professional liability, the Other Party's insurance policies shall be endorsed to name the City of Lakeland as additional insured. It is agreed that the Other Party's insurance shall be deemed primary and non-contributory with respect to any insurance or

self-insurance carried by The City of Lakeland for liability arising out of the operations of this agreement."

INSURANCE – BASIC COVERAGES REQUIRED (cont'd)

Except for worker's compensation, the Other Party waives its right of recovery against the City, to the extent permitted by its insurance policies.

The Other Party's deductibles/self-insured retentions shall be disclosed to the City and may be disapproved by the City. They shall be reduced or eliminated at the option of the City. The Other Party is responsible for the amount of any deductible or self-insured retention.

Insurance required of the Other Party or any other insurance of the Other Party shall be considered primary, and insurance of the City shall be considered excess, as may be applicable to claims which arise out of the Hold Harmless, Payment on Behalf of the City of Lakeland, Insurance, Certificates of Insurance and any Additional Insurance provisions of this agreement, contract, or lease.

Commercial General Liability: This insurance shall be an "occurrence" type policy written in comprehensive form and shall protect the Other Party and the additional insured against all claims arising from bodily injury, sickness, disease, or death of any person other than the Other Party's employees or damage to property of the City or others arising out of any act or omission of the Other Party or its agents, employees, or Subcontractors and to be inclusive of property damage resulting from explosion, collapse or underground (xcu) exposures. This policy shall also include protection against claims insured by usual personal injury liability coverage, and to insure the contractual liability assumed by the Other Party under the article entitled **INDEMNIFICATION**, and "**Products and Completed Operations" coverage.**

The Other Party is required to continue to purchase products and completed operations coverage for a minimum of three years beyond the City's acceptance of renovation or construction properties.

The liability limits shall not be less than:

Bodily Injury and Property Damage	\$1,000,000 Single limit each occurrence
----------------------------------------------	-----------------------------------------------------

Business Automobile Liability: Business Auto Liability coverage is to include 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 each occurrence
----------------------------------------------	---------------------------------------------------

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 Worker's Compensation coverage, as defined in Florida Statute 440, the Other Party will provide a copy of State Workers' Compensation exemption.

All subcontractors shall be required to maintain Worker's Compensation.

The Other Party shall also purchase any other coverage required by law for the benefit of employees.

Additional Insurance: The City requires the following types of insurance.

Aircraft Insurance: Tenant agrees to carry aircraft liability insurance coverage during the term hereof, with terms and company satisfactory to City for limits of not less than \$1,000,000 per occurrence.

Fire Legal Liability: Tenant's liability for damages by fire to the rented premises the tenant occupies.

The liability limits shall not be less than: \$Replacement value

Hangar keeper's liability: Provides coverage for damage to or destruction of the aircraft of others while in the insured's custody for storage, repair, or safe keeping and while in or on the schedule premises.

The liability limits shall not be less than: \$500,000

EVIDENCE/CERTIFICATES OF INSURANCE

Required insurance shall be documented in Certificates of Insurance which provide that the City shall be notified at least 30 days in advance of cancellation, nonrenewable, or adverse change.

New Certificates of Insurance are to be provided to the City at least 15 days prior to coverage renewals.

If requested by the City, the Other Party shall furnish complete copies of the Other Party's insurance policies, forms, and endorsements.

For Commercial General Liability coverage, the Other Party shall, at the option of the City, provide an indication of the amounts of claims payments or reserves chargeable to the aggregate amount of liability coverage.

Receipt of certificates or other documentation of insurance or policies or copies of policies by the City, or by any of its representatives, which indicate less coverage than required does not constitute a waiver of the Other Party's obligation to fulfill the insurance requirements herein.

EXHIBIT "C"
MAINTENANCE MATRIX OF OBLIGATIONS

RESPONSIBILITY	LESSEE	LESSOR
Air Compressor (If Installed)	X	
Air Handling System(s)	X	
Ceiling Tiles	X	
Disposal of Garbage, Debris and Waste Materials	X	
Elevators	X	
Exterior Electrical	X	
Exterior Electrical Fixtures	X	
Exterior Light Bulbs	X	
Exterior Painting	X	
Exterior Plumbing	X	
Exterior Signage	X	
Fire Protection System including Minimum Required	X	
Fire Extinguishers		
Generator (If Installed)	X	
Floor Replacement (Carpet, Tile Laminate etc.)	X	
Grounds Care	X	
Hangar Doors	X	
Hangar Insulation	X	
Interior Electrical	X	
Interior Electrical Fixtures	X	
Interior Light Bulbs	X	
Interior Painting	X	
Interior Plumbing	X	
Interior Walls	X	
Irrigation	X	
Janitorial Service	X	
Janitorial Service - Flooring	X	
Keys / Locks	X	
Mechanical / HVAC Maintenance	X	
Mechanical / HVAC Replacement	X	
Non-Structural Repairs	X	
Parking Lot & Side Walks	X	
Pedestrian Doors Including Hardware	X	
Personal Property	X	
Pest Control	X	
Restroom Fixtures (Exclusive to Tenant Premises / Toilets / Faucets)	X	
Roof Maintenance	X	
Roof Replacement	X	
Security System	X	
Signage / Wayfinding	X	
Structural Elements of Building	X	
Water Fountains / Water Filters	X	

Exhibit "D"
RENT SCHEDULE*

RENT SCHEDULE					
INT TERM	ADJUSTMENT	ADJ. TYPE	PER MONTH GROUND RENT	ANNUAL GROUND RENT	SQ FTRATE
1	-	-	\$ -	\$ -	\$ -
2	-	-	\$ -	\$ -	\$ -
3	-	-	\$ 21,444.59	\$ 257,335.06	\$ 0.36
4	-	-	\$ 21,444.59	\$ 257,335.06	\$ 0.36
5	-	-	\$ 21,444.59	\$ 257,335.06	\$ 0.36
6	3.50%	PERCENTAGE	\$ 22,195.15	\$ 266,341.78	\$ 0.37
7	-	-	\$ 22,195.15	\$ 266,341.78	\$ 0.37
8	-	-	\$ 22,195.15	\$ 266,341.78	\$ 0.37
9	-	-	\$ 22,195.15	\$ 266,341.78	\$ 0.37
10	-	-	\$ 22,195.15	\$ 266,341.78	\$ 0.37
11	3.75%	PERCENTAGE	\$ 23,027.47	\$ 276,329.60	\$ 0.39
12	-	-	\$ 23,027.47	\$ 276,329.60	\$ 0.39
13	-	-	\$ 23,027.47	\$ 276,329.60	\$ 0.39
14	-	-	\$ 23,027.47	\$ 276,329.60	\$ 0.39
15	-	-	\$ 23,027.47	\$ 276,329.60	\$ 0.39
16	4.00%	PERCENTAGE	\$ 23,948.57	\$ 287,382.78	\$ 0.40
17	-	-	\$ 23,948.57	\$ 287,382.78	\$ 0.40
18	-	-	\$ 23,948.57	\$ 287,382.78	\$ 0.40
19	-	-	\$ 23,948.57	\$ 287,382.78	\$ 0.40
20	-	-	\$ 23,948.57	\$ 287,382.78	\$ 0.40
21	8.00%	PERCENTAGE	\$ 25,864.45	\$ 310,373.41	\$ 0.43
22	-	-	\$ 25,864.45	\$ 310,373.41	\$ 0.43
23	-	-	\$ 25,864.45	\$ 310,373.41	\$ 0.43
24	-	-	\$ 25,864.45	\$ 310,373.41	\$ 0.43
25	-	-	\$ 25,864.45	\$ 310,373.41	\$ 0.43
26	3.50%	PERCENTAGE	\$ 26,769.71	\$ 321,236.48	\$ 0.45
27	-	-	\$ 26,769.71	\$ 321,236.48	\$ 0.45
28	-	-	\$ 26,769.71	\$ 321,236.48	\$ 0.45
29	-	-	\$ 26,769.71	\$ 321,236.48	\$ 0.45
30	-	-	\$ 26,769.71	\$ 321,236.48	\$ 0.45
31	3.75%	PERCENTAGE	\$ 27,773.57	\$ 333,282.84	\$ 0.47
32	-	-	\$ 27,773.57	\$ 333,282.84	\$ 0.47
33	-	-	\$ 27,773.57	\$ 333,282.84	\$ 0.47
34	-	-	\$ 27,773.57	\$ 333,282.84	\$ 0.47
35	-	-	\$ 27,773.57	\$ 333,282.84	\$ 0.47
36	4.00%	PERCENTAGE	\$ 28,884.51	\$ 346,614.16	\$ 0.48
37	-	-	\$ 28,884.51	\$ 346,614.16	\$ 0.48
38	-	-	\$ 28,884.51	\$ 346,614.16	\$ 0.48
39	-	-	\$ 28,884.51	\$ 346,614.16	\$ 0.48
40	-	-	\$ 28,884.51	\$ 346,614.16	\$ 0.48
OPT TERM					
41	8.00%	PERCENTAGE	\$ 31,195.27	\$ 374,343.29	\$ 0.52
42	-	-	\$ 31,195.27	\$ 374,343.29	\$ 0.52
43	-	-	\$ 31,195.27	\$ 374,343.29	\$ 0.52
44	-	-	\$ 31,195.27	\$ 374,343.29	\$ 0.52
45	-	-	\$ 31,195.27	\$ 374,343.29	\$ 0.52
46	3.50%	PERCENTAGE	\$ 32,287.11	\$ 387,445.31	\$ 0.54
47	-	-	\$ 32,287.11	\$ 387,445.31	\$ 0.54
48	-	-	\$ 32,287.11	\$ 387,445.31	\$ 0.54
49	-	-	\$ 32,287.11	\$ 387,445.31	\$ 0.54
50	-	-	\$ 32,287.11	\$ 387,445.31	\$ 0.54

Exhibit "E"
RENT CREDIT SCHEDULE

In accordance with Section 2.1 of the Agreement, Lessor shall provide a Rent Credit for the following items:

- Taxiway Connection from Leasehold to Taxiway C
- Electrical Vault Equipment Relocation and Demolition of Building

Any such Rent Credit shall be paid to Lessee monthly upon rent commencement, provided Lessee documents any such cost for the above-specified work, in writing, by submitting to Lessor complete invoices evidencing the work completed. All such work shall become the property of the Lessor upon completion of the work and acceptance by the Lessor of such work. In no event shall any such Rent Credit exceed Three Million Three Hundred Seventy-Five Thousand Dollars and 00/100 (\$3,375,000.00).