

**FIRST AMENDMENT TO MASTER LEASE AGREEMENT
FOR THE EQUIPMENT & VEHICLE FINANCING PROGRAM**

CITY OF SAN DIEGO, CALIFORNIA

(AS LESSEE)

AND

**BANK OF AMERICA LEASING & CAPITAL
(AS LESSOR)**

DATED AS OF NOVEMBER __, 2005

FIRST AMENDMENT TO MASTER LEASE AGREEMENT

This FIRST AMENDMENT TO MASTER LEASE AGREEMENT (this "Agreement" or this "Lease") dated as of November __, 2005, amends and supplements that certain Master Lease Agreement, dated as of April 17, 2003, between Bank of America Leasing & Capital, as the Lessor hereunder and thereunder (the "Lessor"), and the City of San Diego, California (the "City" or "Lessee")), as the Lessee hereunder and thereunder, a charter city and a political subdivision of the State of California (the "State").

RECITALS

Whereas, pursuant to a Request For Proposals, dated __, 2003 the City appointed Lessor to enter into arrangements for the lease purchase and lease purchase refinancing of various Equipment under the terms of that certain Master Lease Agreement;

Whereas, in accordance with Section 10.6 of the Master Agreement, Lessor and Lessee desires to provide for the financing and/or refinancing of all such Equipment under the terms of the Master Lease Agreement and in furtherance thereof the parties deem it necessary and desirable to amend certain terms of the Master Lease Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Master Lease Agreement as follows:

Section 1. Section 1.3 of the Agreement is hereby amended to read as follows:

“Acquisition Period: means the period commencing on execution of this Agreement and ending on the later of May 31, 2006, or the aggregate leasing of \$8 million of Equipment for each of the three- and four-year lease terms and \$45 million of Equipment for the five, six and seven-year lease terms combined. The amount of aggregate leasing of this Agreement may be increased by mutual consent of both the Lessee and Lessor.”

Section 2. Section 1.6 of the Agreement is hereby amended to read as follows:

“Appendix: means Attachment A of the Agreement, substantially in the form of annexed hereto, which includes the Acceptance Certificate, the Disbursement Authorization Certificate, the City Representation Certificate, the Payment Schedule Certificate, and all exhibits, attachments and schedules thereto, together with such other terms and documents as

may be mutually agreeable to Lessee and Lessor. Attached hereto as Attachment A-1 are additional terms and conditions which Lessee and Lessor intend shall be applicable to Appendices concerning the lease purchase or financing of helicopters under this Agreement.

Section 3. Section 1.15 of the Agreement is hereby amended to read as follows:

“Equipment Lease Rate: means a fixed rate of interest calculated by multiplying the applicable Percentage of the Index Rate (or alternative method) by the applicable Index as cited in Section 1.29, plus a fixed spread of 85.10 basis points for leases of a five-year term; a fixed spread of 67.35 basis points for leases of a six-year term; and, a fixed spread of 83.35 basis points for leases of a seven-year term; *provided however that in connection with the lease purchase and lease purchasing of Equipment under the Lease, the Lessor and the Lessee shall be entitled to mutually agree to an alternative Equipment Lease Rate provided such alternative Equipment Lease Rate shall have been duly approved by Resolution of the City Council and as reflected in a duly executed Appendix to this Master Lease Agreement.*”

Section 4. Section 10.6 of the Agreement is hereby amended to read as follows:

“Neither this Agreement nor any of the Transaction Documents may be amended unless the same be in writing and signed by the parties hereto; provided however that terms of any applicable pricing including the Equipment Lease Rate, the Percentage of the Index Rate, Pre-payment percentages and such other pricing components with respect to the Lease of any Equipment hereunder may be amended by the execution of an Appendix to this Agreement and such Appendix shall become effective as against the Lessee only after such Appendix has been approved by resolution of the City Council. *Except as otherwise specifically modified or amended hereby, all of the terms, conditions and provisions of this Agreement shall remain in full force and effect without any further modification or amendment.*”

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CITY OF SAN DIEGO

By: _____
(Name)

Deputy City Manager
(Title)

Date: _____

LESSOR

By: _____
(Name)

(Title)

Date: _____

APPROVED AS TO FORM AND LEGALITY this ____ day of _____ 20__.

By: _____
(Name)

Deputy City Attorney

APPENDIX NO.
SCHEDULE 4
PAYMENT SCHEDULE CERTIFICATE

[Contract No. SD-_____]

All terms and conditions of the Master Lease Agreement dated as of April 17, 2003 (the "Agreement") by and between Banc of America Leasing & Capital, LLC, as lessor hereunder ("the Lessor"), and the City of San Diego, California (the "Lessee") as lessee, are hereby incorporated herein by reference as if such were fully set forth herein and Lessee reaffirms all of its representations and warranties contained in the Agreement. Lessee warrants that no Event of Default or any event which, with the passage of time or the giving of notice would constitute a default, has occurred under the Agreement.

Pursuant to the terms of the Agreement, the Lessee requests that the lease purchase or lease purchase refinancing of the Equipment with respect to this Appendix in the amount of \$_____ be financed or refinanced over a ___ year period. Any provisions of the Agreement to the contrary, *the Equipment Lease Rate for the 7-year term of this Appendix shall be calculated based on the Lessee's underlying general obligation credit rating (as determined by Moody's, Standard & Poor's, or Fitch) as of the Acceptance Date:*

CREDIT RATING	RATE CALCULATION
Aa/AA	(.65 x 7-year Constant Maturity) + .8335
A/A	(.65 x 7-year Constant Maturity) + .9555
Baa1/BBB+	(.65 x 7-year Constant Maturity) + 1.0835

*As of the Acceptance Date, the Lessee has a general obligation bond credit rating of _____. Based on the Acceptance Date, the Index Rate for this financing is _____%, and the Percentage of Index Rate is _____%. plus a spread of _____. Based on the Index Rate, the Equipment Lease Rate for this financing is _____. Any provisions of the Agreement to the contrary notwithstanding, *prepayment of this Appendix by the Lessee shall be permitted throughout the lease term (as calculated on the from the lease commencement date) and the Pre-payment price payable pursuant to the terms of Section 7.2 of the Agreement will be 100.5% of the principal amount then outstanding, in addition to accrued interest and any amounts then due and owing.**

The initial payment for this financing is \$_____, and will be due on _____, thereafter, the semi-annual payment will be \$_____. The schedule of lease payments for the Equipment with respect to this Appendix is as follows:

[See attached Debt Service Schedule]

CITY OF SAN DIEGO

By: _____
(Name)

(Title)

Dated: _____

Attachment A-1

Appendix No. ____

Aircraft Supplement to Master Lease Agreement

This Appendix No. ____ (this "Appendix") dated as of _____, 20__ between **Banc of America Leasing & Capital, LLC** ("Lessor") and **City of San Diego, California** ("Lessee") is executed pursuant to that certain Master Lease Agreement dated April 17, 2003 (the "Master Lease"), the terms of which are hereby incorporated into this Appendix by this reference. This Appendix concerns the lease purchase financing or refinancing of the Aircraft (defined and described below and in Schedules attached hereto) and supplements the terms and provisions of the Master Lease with respect to such Aircraft. All references to the "Equipment" in the Master Lease or in any schedules to this Appendix shall be deemed to mean and referred to the Aircraft. Unless otherwise defined in section 7 or elsewhere in this Appendix, capitalized terms used in this Appendix have the respective meanings assigned to such terms in the Master Lease. If any provision of this Appendix conflicts with any provision of the Master Lease, the provisions contained in this Appendix shall prevail. Any provision of the Master Lease notwithstanding, Lessor and Lessee hereby agree as follows:

1. Additional Documentation. In addition to the documentation described in section 5.5(b) of the Master Lease, Lessee shall provide the following documentation at least 3 Business Days prior to the Vendor Payment Date, in form and substance satisfactory to Lessor and FAA Counsel:

(a) evidence as to the insurance coverage required under the Master Lease and this Appendix, including, but not limited to, a certificate of insurance, copies of endorsements (including a Lender endorsement), and, if requested by Lessor, copies of applicable policies and written confirmation from the insurance underwriter or broker that the insurance coverage provided is in compliance with the requirements of section 4 of this Appendix;

(b) copies of: (i) any purchase agreements entered into by Lessee in connection with the acquisition of the Aircraft, (ii) the warranty bill of sale conveying title to Lessor; (iii) if required by Lessor, invoices for the purchase of the Aircraft, and (iv) such other documents relating to the purchase or conveyance of title as Lessor may request;

(c) copies of the executed FAA Aircraft Registration Application (AC Form 8050-1) executed by Lessee, FAA Bill of Sale (AC Form 8050-2) conveying title to Lessor, and FAA Standard Airworthiness Certificate (AC Form 8100-2) for the Aircraft; and

(d) such other documents, certificates and opinions, and evidence of such other matters, as Lessor, Lessor's counsel or FAA Counsel, may reasonably request.

2. Additional Closing Requirements. On or prior to the Vendor Payment Date, Lessor shall have received evidence that FAA Counsel has received in escrow: (i) the executed FAA Aircraft Bill of Sale (AC Form 8050-2) conveying title to Lessor and the executed FAA Aircraft Registration Application (AC Form 8050-1) in the name of Lessee (except for the pink copy, which shall be available to be placed on the Aircraft upon acceptance thereof); (ii) executed releases in form and substance satisfactory to FAA Counsel of any Liens on the Aircraft; (iii) such other documents as are necessary, in the opinion of Lessor's counsel and/or FAA Counsel to vest good title to the Aircraft in the name of Lessee and to perfect Lessor's first priority security interest in the Aircraft; and (iv) the executed original of the Agreement, all the foregoing being in proper form for filing with the FAA. On the Vendor Payment Date, Lessor shall also have received assurances from FAA Counsel, in form and substance satisfactory to Lessor, that (i) the Aircraft (including the Airframe and Engines) is free and clear of all other Liens of record with the FAA, (ii) title to the Airframe is vested in Lessor or that, upon filing of the FAA Aircraft Bill of Sale (AC Form 8050-2) in the name of Lessor, title to the Airframe will be vested in Lessor, (iii) Lessor, upon filing of the Agreement with the FAA, will have a valid and perfected security interest in the Aircraft (including the Airframe and the Engines), and (iv) the filing of the Master Lease and this Appendix with the FAA has been effected.

3. Grant of Security Interest; Title Matters; Nature of Transaction. In order to secure the payment and performance of all of Lessee's obligations owing to Lessor in connection with the Master Lease, including its obligations to make Lease Payments in connection with this Appendix, Lessee hereby grants

to Lessor a first priority security interest in and lien on, and collaterally assigns to Lessor, all of Lessee's right, title and interest in, to and under all of the following collateral (collectively, the "Collateral"): (i) the Airframe, (ii) the Engines, (iii) any APU, (iv) the Rotor Blades, (v) the Rotor Components, (vi) the Parts, (vii) the Records, and (viii) proceeds of all of the foregoing. Lessee will cause the Aircraft to be registered in the records of the Aircraft Registry of the FAA in accordance with applicable laws and regulations in the name of Lessee at all times during the Term. At all times during the Term, the records of the Aircraft Registry of the FAA shall reflect that Lessor has a duly perfected interest in the Aircraft free and clear of all liens, charges, security interests, leaseholds and encumbrances of any nature (collectively, "Liens") other than any Liens created in favor of Lessor and/or Lessee under this Appendix. The parties agree that for all purposes under federal, state and local law, (a) this Appendix will be treated as a financing transaction, (b) the transaction contemplated hereby preserves ownership in the Aircraft in Lessee, and (c) Lessor does not by virtue of this Appendix or otherwise assume any obligations, liabilities and/or duties of any kind whatsoever of Lessee or any other person under, or with respect to, the Collateral. Upon the payment and performance of all of Lessee's obligations owing to the Lessor in connection with this Appendix, including Lessee's obligations to make Lease Payments hereunder, Lessor shall convey all of its rights, title and interest in and to the Aircraft to Lessee, on an As-Is, Where-Is basis, with all faults and wherever located, without representation or warranty of any kind, express or implied.

4. Insurance. Lessee agrees to maintain at all times, at its sole cost and expense, with insurers of recognized reputation and responsibility satisfactory to Lessor (but in no event having an A.M. Best or comparable agency rating of less than "A-"):

(a) (1) comprehensive aircraft liability insurance against bodily injury or property damage claims including, without limitation, contractual liability, premises damage, public liability, death and property damage liability, public and passenger legal liability coverage, and sudden accident pollution coverage, in an amount not less than \$50,000,000.00 for each single occurrence, and (2) personal injury liability in an amount not less than \$25,000,000.00;

(b) "all-risk" ground, taxiing, and flight hull insurance on an agreed-value basis, covering the Aircraft, provided that such insurance shall at all times be in an amount not less than the greater of (1) the full replacement value of the Aircraft (as determined by Lessor), or (2) the unpaid principal amount of the Note (each such amount re-determined as of each anniversary of the date hereof for the next succeeding year throughout the term of this Appendix); and

(c) war risk and allied perils (including confiscation, appropriation, expropriation, terrorism and hijacking insurance) in the amounts required in clauses (a) and (b) above, as applicable.

Any policies of insurance carried in accordance with this Appendix and any policies taken out in substitution or replacement of any such policies shall (i) be endorsed to name Lessor as an additional insured as its interests may appear (but without responsibility for premiums), (ii) provide, with respect to insurance carried in accordance with clause (a) or (b) above, that any amount payable thereunder shall be paid directly to Lessor as sole loss payee and not to Lessor and Lessee jointly, (iii) provide for thirty (30) days' (seven (7) days' in the case of war, hijacking and allied perils) prior written notice by such insurer of cancellation, material change, or non-renewal, (iv) include a severability of interest clause providing that such policy shall operate in the same manner as if there were a separate policy covering each insured, (v) waive any right of set-off against Lessor, and any rights of subrogation against Lessor, (vi) provide that in respect of the interests of Lessor in such policies, that the insurance shall not be invalidated by any action or inaction of Lessee or any other person operating or in possession of the Aircraft, regardless of any breach or violation of any warranties, declarations or conditions contained in such policies by or binding upon Lessee or any other person operating or in possession of the Aircraft, and (vii) be primary, not subject to any co-insurance clause and shall be without right of contribution from any other insurance. All of the coverages required herein shall be in full force and effect worldwide throughout any geographical areas to, in or over which the Aircraft is operated. All insurance proceeds payable under the requisite policies shall be payable in U.S. Dollars.

Annually on or before the anniversary of the policy expiration date, Lessee shall furnish to Lessor evidence of insurance coverage in form and substance satisfactory to Lessor evidencing that Lessee has obtained the insurance coverages required herein for a twelve (12) month or greater period commencing from and after such anniversary date. In the event Lessee shall fail to maintain insurance as herein provided, Lessor

may, at its option, provide such insurance, and Lessee shall, upon demand, reimburse Lessor for the cost thereof, together with interest at the rate of interest provided in section 4.12(a) of the Master Lease.

5. Use of Aircraft; Maintenance; Modifications; Security.

(a) Lessee will operate the Aircraft under and in compliance with Part 91 of the FARs. Lessee shall not operate or permit the Aircraft to be operated for air taxi operations or otherwise under Part 135 of the FARs. The Aircraft at all times will be operated by duly qualified pilots having satisfied all requirements established and specified by the FAA, the Transportation Security Administration, any other applicable governmental authority and the insurance policies required under the Master Lease and this Appendix.

(b) Lessee will operate the Aircraft in a careful and proper manner in compliance with all Applicable Standards, including, without limitation, its operation, maintenance and security. The Aircraft shall not be operated, used or located outside the continental United States, except that it may be flown temporarily to any country in the world for any purpose expressly permitted under the Master Lease and this Appendix. Notwithstanding the foregoing, the Aircraft shall not be flown, operated, used or located in, to or over any such country or area (temporarily or otherwise), (i) that is excluded from the insurance required hereunder (or specifically not covered by such insurance), (ii) with which the United States does not maintain favorable diplomatic relations, (iii) in any area of recognized or threatened hostilities, or (iv) in violation of the Master Lease and this Appendix or any Applicable Standards, including any U.S. law or United Nations Security Council Directive. Lessee shall implement all security measures required by any governmental authority, or by any insurance policies or that are necessary or appropriate for the proper protection of the Aircraft (whether on the ground or in flight) against theft, vandalism, hijacking, destruction, bombing, terrorism or similar acts.

(c) Lessee will, at its own expense, (i) maintain, inspect, service, repair, overhaul and test the Airframe, each Engine, any APU and each Part in accordance with Applicable Standards; (ii) make any alteration or modification to the Aircraft that may at any time be required to comply with Applicable Standards, to cause the Aircraft to remain airworthy or to maintain the Aircraft's airworthiness certification; (iii) furnish all parts, replacements, mechanisms, devices and servicing required therefor so that the condition and operating efficiency of the applicable Airframe, Engine, APU or Part will at all times be no less than its condition and operating efficiency as and when delivered to Lessee, ordinary wear and tear from proper use alone excepted; (iv) promptly replace all Parts that become worn out, lost, stolen, taken, destroyed, damaged beyond repair or permanently rendered or declared unfit for use for any reason whatsoever; and (v) maintain (in English) all Records in accordance with Applicable Standards. All repairs, parts, replacements, mechanisms and devices so furnished shall immediately, without further act, become part of the Aircraft and subject to the security interest created by the Master Lease and this Appendix. All maintenance procedures shall be performed by properly trained, licensed, and certified maintenance facilities and maintenance personnel utilizing replacement parts approved by the FAA and the manufacturer of the applicable Airframe, Engine, APU or Part. Without limiting the foregoing, Lessee shall comply with all mandatory service bulletins and airworthiness directives by causing compliance to such bulletins and/or directives to be completed through corrective action in lieu of operating manual restrictions.

(d) Lessee will not make or authorize any improvement, change, addition or alteration to the Aircraft that will impair the originally intended function or use of the Aircraft, diminish the value of the Aircraft as it existed immediately prior thereto, or violate any Applicable Standard; and any Part, mechanism, device or replacement added to the Aircraft in connection therewith shall immediately, without further act, become part of the Aircraft and subject to the security interest created by the Master Lease and this Appendix.

6. Condition Upon Return.

(a) Return Generally. Upon the repossession, return or delivery of the Aircraft to Lessor following the occurrence of any Event of Default or for any other reason under the Master Lease ("Return"), Lessee will return the Aircraft (together with all Records) to Lessor at a location specified by the Lessor within the continental United States. Upon Return, the Aircraft shall be fully equipped with the Engines, Rotor Blades, Rotor Components, transmission and gear box or the same number, make, and model of engines, rotor blades, rotor components, transmission and gear box as are set forth in Schedule 1 to this Appendix and which are suitable for use on the Airframe and shall have the same or improved utility, value, useful life, performance, and efficiency (normal wear and tear excepted) as the Engines, Rotor

Blades, Rotor Components, transmission and gear box had on the date hereof. Furthermore, upon Return the Aircraft (i) shall have a currently effective FAA airworthiness certificate; (ii) shall be free and clear of all liens and encumbrances other than the security interest of Lessor hereunder; (iii) shall be in the same configuration, coloring and appearance and in the same operating condition, ordinary wear and tear excepted, as of the Vendor Payment Date or, at Lessor's option, Lessee shall pay to Lessor an amount equal to the actual cost of restoring the Aircraft to such condition; (iv) shall be in good operating condition, physical condition and appearance (ordinary wear and tear excepted), with all systems operating normally; (v) shall have no damage history (subject to the terms of section 6(b) below); (vi) shall have no open mandatory service bulletins or airworthiness directives, and if terminating action is required within six (6) months of the date of return, Lessee shall comply with each of the same by terminating action, and shall be in compliance with all other Applicable Law and Maintenance Requirements; and (vii) shall be otherwise in the condition and repair required under the Master Lease and this Appendix.

(b) Damage History. If Lessor is of the opinion that the Aircraft's Fair Market Sales Value is diminished due to the existence of any damage history, Lessor and Lessee shall consult for the purpose of determining the Diminution Amount (defined below), and any values agreed upon in writing between Lessor and Lessee shall be binding on both parties. The "Diminution Amount" shall mean the positive difference between the Fair Market Sales Value of the Aircraft with and without such damage history. If Lessee and Lessor fail to agree within ten (10) days after Return of the Aircraft, then Lessor shall appoint an independent appraiser (reasonably acceptable to Lessee) to determine the Diminution Amount. Lessee agrees to pay the costs and expenses of any such determination and appraisal. The independent appraiser shall be required to complete such determination as promptly as practicable, but in any event, not later than forty (40) days after the date on which it is appointed. A final determination by the independent appraiser regarding the extent of any Diminution Amount shall be binding on Lessee and Lessor. Lessee shall pay to Lessor within ten (10) days after the independent appraiser's determination an amount equal to the Diminution Amount, if any.

(c) Excess Use. Upon Return of the Aircraft to Lessor, Lessor and Lessee shall consult for the purpose of determining the Excess Use Amount (defined below), if any, and any amount so agreed upon in writing between Lessor and Lessee shall be binding on both parties. The "Excess Use Amount" shall mean the amount, if any, by which the Fair Market Sales Value of the Aircraft without such Excess Hours exceeds the Fair Market Sales Value of the Aircraft with such Excess Hours. If Lessor and Lessee fail to agree within ten (10) days after the return of the Aircraft to Lessor, then Lessor shall appoint an independent appraiser (reasonably acceptable to Lessee) to determine the Excess Use Amount. Lessee agrees to pay the costs and expenses of any such determination and appraisal. The independent appraiser shall be required to complete such determination as promptly as practicable, but in any event, not later than forty (40) days after the date on which it is appointed. A final determination by the independent appraiser regarding the extent of the Excess Use Amount, if any, shall be binding on Lessor and Lessee. Lessee shall pay to Lessor within ten (10) days after the independent appraiser's determination an amount equal to the Excess Use Amount.

(d) Mid-Life Condition. Upon Return of the Aircraft to Lessor (i) each Engine shall have available operating hours or months until the next scheduled "hot section" inspection, mid-life inspection or the next scheduled major overhaul of not less than fifty percent (50%) of the total operating hours or months available between such hot section inspection, mid-life inspection, or major overhaul, as the case may be; (ii) each gear box and transmission shall have available operating hours, cycles or calendar months until the next scheduled inspection or overhaul of not less than fifty percent (50%) of the total operating hours, cycles or calendar months available between such inspection or overhaul, as the case may be; (iii) each Rotor Blade and Rotor Component shall have available operating hours until the next scheduled major overhaul, inspection or replacement of not less than fifty percent (50%) of the total operating hours available between such major overhauls, inspections or replacements; (iv) the Airframe shall have remaining not less than (aa) fifty percent (50%) of the available operating hours allowed between airframe inspections; and (bb) fifty percent (50%) of the number of available operating months allowed between airframe inspections until the next scheduled airframe inspection; and (v) all life limited parts and components shall have remaining not less than fifty percent (50%) of the available hours, cycles and/or months, as the case may be, until the next scheduled replacement. In addition to the requirements set forth in clauses (i), (ii), (iii), (iv) and (v) above, all inspections and scheduled maintenance required to be

performed on the Airframe, Engines, Rotor Blades, Rotor Components, transmission and gear box and all life limited parts and components within one hundred twenty (120) days of the date of return and/or one hundred (100) hours of additional operation shall have been performed by Lessee.

(e) Engines. If any Engine does not comply with section 6(d)(i) above, for each such Engine, Lessee shall pay Lessor an amount equal to either (i) the current estimated cost of the next scheduled "hot section" or mid-life inspection, as the case may be (including in such estimated cost, all required replacements of life limited parts) multiplied by the fraction wherein the numerator shall be the greater of (A) zero, or (B) the difference between (x) the actual number of operating hours or months since the previous hot section or mid-life inspection, as the case may be, and (y) fifty percent (50%) of the total operating hours or months allowable between hot section or mid-life inspections, as the case may be, and the denominator shall be the total operating hours or months allowable between hot section or mid-life inspection, as the case may be, or (ii) for each such Engine, the product of the current estimated cost of the next scheduled major overhaul (including in such estimated cost, all required replacements of life limited parts) multiplied by the fraction wherein the numerator shall be the greater of (A) zero, or (B) the difference between (x) the actual number of hours of operation since the previous major overhaul, and (y) fifty percent (50%) of the total operating hours allowable between major overhauls, and the denominator shall be the total operating hours allowable between major overhauls. Lessee shall, immediately upon request, assign to Lessor its rights under any manufacturer's maintenance service contract or extended warranty for the Aircraft.

(f) Transmission and Gear Box. If the transmission or gear box does not comply with section 6(d)(ii) above, for each such transmission or gear box, Lessee shall pay Lessor an amount equal to either (i) the current estimated cost of the next scheduled inspection, as the case may be (including in such estimated cost, all required replacements of life limited parts) multiplied by the fraction wherein the numerator shall be the greater of (A) zero, or (B) the difference between (x) the actual number of operating hours or months since the previous inspection, as the case may be, and (y) fifty percent (50%) of the total operating hours or months allowable between inspections, as the case may be, and the denominator shall be the total operating hours or months allowable between inspections.

(g) Rotor Blades and Rotor Components. In the event that any Rotor Blade or Rotor Component does not meet the conditions set forth in section 6(d)(iii) above, for each such Rotor Blade or Rotor Component Lessee shall pay Lessor an amount equal to the current estimated cost of the next scheduled overhaul, inspection or replacement (including in such estimated cost, all required replacements of life limited parts) multiplied by the fraction wherein the numerator shall be the greater of (i) zero or (ii) the remainder of (x) the actual number of operating hours since the previous overhaul, minus (y) 50% of the total operating hours allowable between overhauls, and the denominator shall be the total operating hours allowable between overhauls.

(h) Airframe. If the Airframe does not comply with section 6(d)(iv) above, Lessee shall pay to Lessor an amount equal to the sum of the product of the current estimated cost of the next scheduled airframe inspection multiplied by the fraction wherein the numerator shall be the greater of (i) zero, or (ii) the difference between (x) the actual number of respective operating hours or months of operation since previous airframe inspection, and (y) 50% of the respective total operating hours or months of operation allowable between scheduled airframe inspections, and the denominator shall be the respective total operating hours or months of operation between scheduled airframe inspections.

(i) Maintenance Contracts. Lessee need not compensate Lessor as contemplated in sections 6(e), (f) or (g) above, as the case may be, if at the time of Return of the Aircraft to Lessor (A) the Engines, the Rotor Blades and the Rotor Components, transmission and gear box are covered by a service and maintenance contract in form and substance satisfactory to Lessor which provides for the maintenance and/or overhaul of such property, (B) either (x) adequate reserves for future required maintenance and/or overhaul shall have been provided for pursuant to such maintenance contract, or (y) all amounts due and payable pursuant to such maintenance contract shall have been paid in full through the date of return, and (C) the entity which provides the maintenance and/or overhaul services under such maintenance contract shall either (x) recognize the transfer by Lessee to Lessor of the rights and interests of Lessor (or its designee) under such maintenance contract, or (y) acknowledge the rights and interests of Lessor (or its designee) under such maintenance contract. Furthermore, Lessee need not compensate Lessor as

contemplated in sections 6(h) above if at the time of Return of the Aircraft to Lessor (1) the Airframe is covered by a service and maintenance contract in form and substance satisfactory to Lessor which provides for the maintenance and/or overhaul of such property, (2) either (x) adequate reserves for future required maintenance and/or overhaul shall have been provided for pursuant to such maintenance contract, or (y) all amounts due and payable pursuant to such maintenance contract shall have been paid in full through the date of return, and (3) the entity which provides the maintenance and/or overhaul services under such maintenance contract shall either (x) recognize the transfer by Lessee to Lessor of the rights and interests of Lessor (or its designee) under such maintenance contract, or (y) acknowledge the rights and interests of Lessor (or its designee) under such maintenance contract.

(g) Parts and Components. If any life limited part or component does not comply with section (d)(v) above, Lessee shall pay to Lessor with respect to each part or component for which said requirement is not met the dollar amount obtained by multiplying (i) the ratio that the life expended in excess of fifty percent (50%) of the available hours, cycles and/or months, as the case may be, until the next scheduled replacement bears to the total allowable life (measured in hours, cycles and/or months, as the case may be) for such part or component by (ii) Lessor's cost of replacement of such part or component. Lessor's cost of replacement of a part or component shall include Lessor's then current cost of purchasing the part or component itself and all of Lessor's then current costs associated with the replacement.

(h) Inspection Overhaul Charges. All restoration costs and prorated inspection and/or overhaul charges, if any, shall be due upon presentation to Lessee of an invoice setting forth in reasonable detail the calculation of such amounts due, including the names of all sources used for the required cost estimates. Unless both Lessor and Lessee agree to an alternative source, or as provided herein, the Manufacturers of the Airframe, Engines, Rotor Blades, Rotor Components, transmission and gear box shall be used as the sources for all cost estimates.

(i) Fuel. Upon Return of the Aircraft to Lessor, each fuel tank shall contain no less than fifty percent (50%) of its full capacity, or in the case of differences in such quantity, an appropriate adjustment will be made at the then current market price of fuel.

(j) Records. Return of the Aircraft to Lessor, Lessee shall deliver all Records to Lessor, including:

(i) All of the following: (A) all records of maintenance, alterations and major repairs, (B) all Airframe and Engine logbooks endorsed for current total time and cycles for the airframe, total time and cycles for each Engine and an entry for total time and cycles since overhaul and hot section inspection for each Engine; and the Airframe logbook must include all appropriate endorsements (i.e., maintenance releases) verifying that the avionics have been periodically tested and inspected in accordance with all applicable provisions of the FARS and the applicable maintenance program, (C) a current written summary certified by a FAA-licensed mechanic listing the status of all applicable airworthiness directive and service bulletins for the Airframe, Engines, Rotor Blades, Rotor Components, transmission and gear box, and (D) a written summary certified by a FAA-licensed mechanic of the current status of life limited and/or overhauled components for the Airframe and Engines (in accordance with the Manufacturer's recommended intervals).

(ii) The following documentation and data for each component having an overhaul or inspection requirement of life limit, which components are identified in pertinent sections of the maintenance program applicable to the Aircraft as follows: (A) an airworthiness release certificate or maintenance release tag, (B) the Vendor work order or copy thereof verifying the details of each component overhaul, and (C) an appropriate record certifying the date and expended time status of the component when installed (i.e., copy of log or inspection squawk card), all of which must be properly organized and provided on board the Aircraft at the time it is returned to Lessor.

(iii) To the extent not covered above, Lessee will also deliver to Lessor all work cards, computerized maintenance history, component serviceability tags, STCs, 337s, maintenance manuals, and structural repair manuals.

All manuals or other documents delivered to Lessor which are subject to periodic revision will be fully up-to-date and current to the latest revision standard of any particular manual or document. If the Aircraft is on a computerized maintenance program, such program will be up-to-date in accordance with the Manufacturer's recommended maintenance schedule and fully assignable to Lessor at redelivery. Lessee

will provide all of the following Records to Lessor upon return of the Aircraft to Lessor, regardless of whether Lessee has conducted its periodic inspections of the Aircraft in accordance with an inspection program approved by the FAA. In the event any Records are missing or incomplete, Lessor shall have the right to cause any such Records to be reconstructed at Lessee's expense. All Records shall be in English.

(k) Replacement Engines and Rotor Blades. If any engine or rotor blade not owned by Lessee shall be installed on the Airframe upon its Return to Lessor, then Lessee will, concurrently with such delivery, at its own expense, furnish Lessor with a full warranty bill of sale, in form and substance satisfactory to Lessor with respect to each such engine and rotor blade and with a written opinion of FAA Counsel to the effect that, upon such return, Lessor will acquire a valid and perfected interest in such engine and rotor blade free and clear of all Liens. Thereupon, unless an Event of Default shall have occurred and be continuing, Lessor will transfer to Lessee, all of Lessor's right, title and interest in and to any Engine and Rotor Blade not installed on the Airframe at the time of the Return of such Airframe. Each on an "AS-IS, WHERE-IS" basis, and "With All Faults", without any representation or warranty, express or implied, of any kind from Lessor.

(l) Inspections. Upon the written request of Lessor, Lessee shall certify to Lessor that the Aircraft is in the condition required by this section 6, or indicate what maintenance or repair is needed to bring the Aircraft to the specified condition. Upon Return of the Aircraft to Lessor, Lessor shall have the right, but not the duty, to inspect the Aircraft, any component thereof and/or the Records, at any reasonable time and from time to time, wherever located, upon reasonable prior written notice to Lessee except that no advance notice shall be necessary prior to any inspection conducted, and such inspection may be conducted at any time, after the occurrence of an Event of Default. Upon request of Lessor, Lessee shall promptly confirm to Lessor the location of the Aircraft and/or the Records. Lessee shall be responsible for the cost of such inspection and shall pay Lessor such amount within ten (10) days of demand. If the results of such inspection indicate that the Aircraft, any Engine, any Rotor Blade or Rotor Component or Part, has not been maintained or returned in accordance with the provisions of the Master Lease or this Appendix, Lessee shall pay to Lessor within ten (10) days of demand, as liquidated damages, the estimated cost of servicing or repairing any such non-complying item. Such amount shall be determined by Lessor by obtaining two quotes for such service or repair work and taking their average. Lessee shall bear the cost, if any, incurred by Lessor in obtaining such quotes.

(m) Survival. The provisions of this section 6 shall survive the expiration, cancellation or other termination of the Master Lease or this Appendix or any Return of the Aircraft to Lessor by Lessee or any other person for any reason whatsoever.

(n) Injunctive Relief. Without limiting any other terms or conditions of the Master Lease or this Appendix, the provisions of this section 6 are of the essence in the agreement of the Lessor and Lessee concerning the Aircraft, and upon application to any court of equity having jurisdiction, Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee set forth herein.

7. Definitions. As used in this Appendix, the following terms shall have the following meanings:

Aircraft shall mean (i) the Airframe, (ii) the Engines, (iii) any APU, (iv) the Rotor Blades, (v) the Rotor Components, (vi) the Parts, and (vi) the Records.

Airframe shall mean (i) the Aircraft described in Schedule No. 1, and shall not include the Engines, the Rotor Blades, the Rotor Components or any APU, and (ii) any and all Parts from time to time incorporated in, installed on, or attached to such Aircraft and any and all Parts removed therefrom so long as title thereto shall remain vested in Lessor in accordance with the applicable terms of the Lease after removal from the Aircraft.

Applicable Law shall mean all applicable laws including all statutes, treaties, conventions, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority as amended and revised, and any judicial or administrative interpretation, of any of the same, including the airworthiness certificate issued with respect to the Aircraft, all FARS (as defined below), Supplemental FARS, airworthiness directives, and/or any of

the same relating to noise, the environment, national security, public safety, exports or imports or contraband.

Applicable Standards shall mean (i) Applicable Law, (ii) the requirements of the insurance policies required hereunder, and (iii), with respect to the Airframe or any Engine, APU or Part, all compliance requirements set forth in or under (A) all maintenance manuals initially furnished with respect thereto, including any subsequent amendments or supplements to such manuals issued by the manufacturer or supplier thereof from time to time, (B) all mandatory service bulletins issued, supplied, or available by or through the applicable manufacturer with respect thereto, (C) all applicable airworthiness directives issued by the FAA or similar regulatory agency having jurisdictional authority, (D) all conditions to the enforcement of any warranties pertaining thereto, and (E) Lessee's FAA approved maintenance program with respect to the Airframe, the Engines, any APU or Part.

APU shall mean (i) any auxiliary power unit described in Schedule 1 hereto and installed on the Airframe as of the Vendor Payment Date, whether or not hereafter installed on the Airframe or any other airframe from time to time; (ii) any auxiliary power unit that may from time to time be substituted, pursuant to the applicable terms of the Master Lease and this Appendix, for an APU; and (iii) any and all Parts incorporated in or installed on or attached to such auxiliary power unit or any and all Parts removed therefrom so long as Lessor shall retain an interest therein in accordance with the applicable terms of the Master Lease and this Appendix after such removal.

Engine shall mean (i) each of the engines described in Schedule 1 hereto and installed on the Airframe as of the Vendor Payment Date, whether or not hereafter any other airframe from time to time or reinstalled on the Airframe or; (ii) any engine that may from time to time be substituted for an Engine pursuant to the applicable terms of the Master Lease and this Appendix; and (iii) any and all Parts incorporated in or installed on or attached to such engine or any and all Parts removed therefrom so long as Lessor shall retain an interest therein in accordance with the applicable terms of the Master Lease and this Appendix after such removal.

Estimated Annual Hours shall mean **500** annual flight hours.

FAA Counsel shall mean such counsel as Lessor may designate from time to time to assist it with FAA matters.

FAA shall mean the United States Federal Aviation Administration and/or the Administrator of the Federal Aviation Administration and the Department of Transportation, or any other entity, governmental department, bureau, authority, commission or agency succeeding the functions of any of the foregoing, including, where applicable, the Transportation Security Administration.

Fair Market Sales Value shall mean that certain value determined on the following basis: (i) the value shall be the amount which would be obtained in an arm's length transaction between an informed and willing buyer (who is neither a buyer in possession nor a used equipment dealer), and an informed and willing seller under no compulsion to sell; (ii) the costs of removal of the Aircraft from its then location shall not be a deduction from such value; and (iii) unless otherwise provided herein, in determining any such value, it shall be assumed (whether or not the same be true) (A) that the Aircraft has been maintained by Lessee and is in the condition in which it is required to be returned to Lessor, in each case, in accordance with the Master Lease and this Appendix, (B) such value has not been diminished due to the existence of any damage history, and (C) that the total number of Airframe hours (including any component with hourly overhaul schedules) accumulated from the Vendor Payment Date to the date that the Aircraft is returned or delivered to Lessor, or the date that the Aircraft is repossessed or replevied by Lessor, or any other date of termination or cancellation do not exceed the product of Estimated Annual Hours times the number of twelve month periods and any portion thereof, from the Purchase Date to such expiration, termination, cancellation, repossession, replevin, delivery or return date (any such excess, the "Excess Hours").

FARS shall mean the Federal Aviation Regulations, any Supplemental Federal Aviation Regulations and all successor regulations thereto.

Federal Aviation Act shall mean Subtitle VII of Title 49 of the United States Code, as amended and recodified.

Maintenance Requirements shall mean, with respect to the Airframe, any Engine, any Rotor Blade, any Rotor Component, any APU or any Part, all compliance requirements set forth in or under (i) all maintenance manuals initially furnished with respect thereto, including any subsequent amendments or supplements to such manuals issued by the Manufacturer or Supplier from time to time, (ii) all mandatory service bulletins issued, supplied, or available by or through the Manufacturer and/or the Manufacturer of any Engine, any Rotor Blade, any Rotor Component, any APU or Part with respect thereto, (iii) all applicable airworthiness directives issued by the FAA or similar regulatory agency having jurisdictional authority, (iv) all conditions to the enforcement of any warranties pertaining thereto, and (v) Lessee's FAA approved maintenance program with respect thereto.

Manufacturer shall mean each of (i) _____ and its successors and assigns as to the Airframe, (ii) _____ and its successors and assigns as to the Engines, (iii) _____ and its successors and assigns as to the Rotor Blades, and (iv) _____ and its successors and assigns as to the Rotor Components.

Parts shall mean all appliances, avionics, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than complete Engines) that may from time to time be incorporated or installed in or attached to the Airframe, any Engine or any APU, and any and all such appliances, avionics, parts, instruments, appurtenances, accessories, furnishings and other equipment removed therefrom so long as Lessor shall retain a security interest therein in accordance with the applicable terms of the Master Lease and this Appendix after such removal.

Records shall mean any and all logs, manuals, certificates and data and inspection, modification, maintenance, engineering, technical, and overhaul records (whether in written or electronic form) with respect to the Aircraft, including, without limitation, all records (i) required to be maintained by the FAA or any other governmental agency or authority having jurisdiction with respect to the Aircraft or by any manufacturer or supplier of the Aircraft (or any part thereof) with respect to the enforcement of warranties or otherwise, and (ii) evidencing Lessee's compliance with Applicable Standards.

Rotor Blade shall mean (i) each of the rotor blades described and listed by manufacturer's serial numbers in Schedule 1 and originally installed on the Airframe whether or not thereafter installed on such Airframe or any other airframe from time to time; (ii) any rotor blade that may from time to time be substituted, pursuant to the applicable terms of the Agreement, for a Rotor Blade subject to, described in, or covered by, the Agreement and/or this Appendix; and (iii) in each case set forth in clauses (i) and (ii) hereof, with any and all Rotor Components and Parts incorporated in or installed on or attached to such Rotor Blade or rotor blade or any and all Rotor Components and Parts removed therefrom or so long as the same remain subject to the security interest granted to Lessor in accordance with the applicable terms of the Master Lease after removal from such Rotor Blade.

Rotor Component shall mean (i) each of the main rotor gear boxes, tail rotor gear boxes, combining gearboxes, transmissions, servos, main and tail rotor head components and other rotor components originally installed on the Airframe, whether or not thereafter installed on such Airframe or any other airframe from time to time; (ii) any rotor component that may from time to time be substituted, pursuant to the applicable terms of the Agreement, for a Rotor Component subject to, described in, or covered by, the Agreement and/or this Appendix; and (iii) in each case set forth in clauses (i) and (ii) hereof, with any and all Parts incorporated in or installed on or attached to such Rotor Component or rotor component or any and all Parts removed therefrom or so long as the same remain subject to the security interest granted to Lessor in accordance with the applicable terms of the Agreement after removal from such Rotor Component.

Supplier shall mean _____ and its successors and assigns.

8. Truth in Leasing. THE AIRCRAFT, AS EQUIPMENT, BECAME SUBJECT TO THE MAINTENANCE REQUIREMENTS OF PARTS 91 AND/OR 135 AS APPLICABLE, OF THE FEDERAL AVIATION REGULATIONS ("FARS") UPON THE REGISTRATION OF THE AIRCRAFT WITH THE FAA. LESSEE CERTIFIES THAT DURING THE TWELVE (12) MONTHS (OR PORTION THEREOF DURING WHICH THE AIRCRAFT HAS BEEN SUBJECT TO U.S. REGISTRATION) PRECEDING THE EXECUTION OF THIS LEASE, THE AIRCRAFT HAS BEEN MAINTAINED AND INSPECTED UNDER PARTS 91 AND/OR 135 AS APPLICABLE, OF THE FARS. LESSEE CERTIFIES THAT THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER PARTS 91 AND/OR 135, AS APPLICABLE, OF THE FARS FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. UPON EXECUTION OF THIS LEASE, AND DURING THE TERM HEREOF, THE LESSEE, WHOSE NAME AND ADDRESS ARE SET FORTH IMMEDIATELY BELOW, ACTING BY AND THROUGH THE SIGNATORY HERETO, WHO EXECUTES THIS SECTION SOLELY IN HER/HIS CAPACITY OF THE LESSEE SET FORTH BELOW HER/HIS SIGNATURE, CERTIFIES THAT LESSEE SHALL BE RESPONSIBLE FOR THE OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE (WHILE IT HAS POSSESSION OF THE AIRCRAFT), UNLESS OPERATIONAL CONTROL OF THE AIRCRAFT IS PROVIDED TO AN AIR TAXI OPERATOR CERTIFICATED UNDER PART 135 OF THE FARS, IF AND TO THE EXTENT PERMITTED HEREUNDER. THE LESSEE FURTHER CERTIFIES THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FARS, PROVIDED HOWEVER, THAT THE LESSEE SHALL NOT BE DEEMED TO BE RESPONSIBLE FOR THE OPERATIONAL CONTROL OF THE AIRCRAFT FOR SO LONG AS THE AIRCRAFT IS IN POSSESSION OF ANY SUCH AIR TAXI OPERATOR HAVING OPERATIONAL CONTROL TO THE EXTENT PERMITTED HEREUNDER. AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FARS CAN BE OBTAINED FROM THE NEAREST FEDERAL AVIATION FLIGHT STANDARD DISTRICT OFFICE, GENERAL AVIATION DISTRICT OFFICE, OR AIR CARRIER DISTRICT OFFICE.

Executed and delivered as of the date set forth above.

BANC OF AMERICA LEASING & CAPITAL, LLC (Lessor)

CITY OF SAN DIEGO (Lessee)

By:

By:

Name:

Name:

Title:

Title:

This is Counterpart No. __ of a total of 4 counterparts. Only Counterpart No. 1 shall be considered chattel paper for purposes of the Uniform Commercial Code and a security interest may be perfected only by possession of Counterpart No. 1.

ATTACHMENTS:

- SCHEDULE 1 - ACCEPTANCE CERTIFICATE
- SCHEDULE 1A - ADDITIONAL AIRCRAFT ITEMS
- SCHEDULE 2 - DISBURSEMENT AUTHORIZATION CERTIFICATE
- EXHIBIT - UCC AIRCRAFT DESCRIPTION
- SCHEDULE 3 - CITY REPRESENTATION CERTIFICATE
- SCHEDULE 4 - PAYMENT SCHEDULE CERTIFICATE