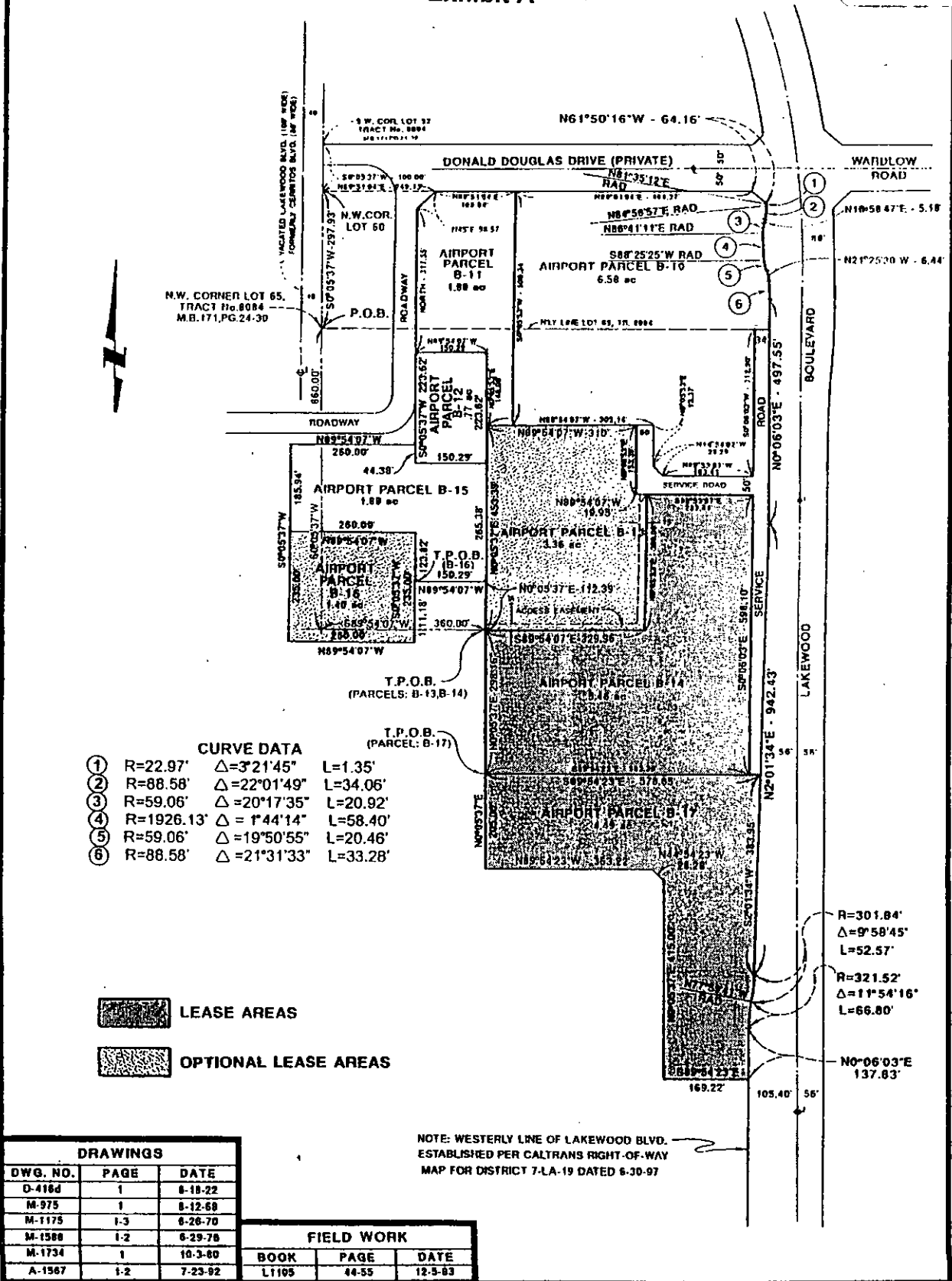


Exhibit A



CITY OF LONG BEACH - DEPARTMENT OF PUBLIC WORKS - ENGINEERING BUREAU - RAYMOND T. HOLLAND, DIRECTOR

AIRPORT PARCEL LEASES AND OPTIONS TO LEASE WITH
ADVANCED AERODYNAMICS & STRUCTURES, INC.
LAKWOOD BOULEVARD SOUTH OF DONALD DOUGLAS DRIVE

41



CITY OF LONG BEACH

DEPARTMENT OF PUBLIC WORKS

333 WEST OCEAN BOULEVARD • LONG BEACH, CA 90802 • (562) 570-6383 • FAX (562) 570-6012

May 4, 1999

CC
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JANIS ACH, CALIF
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HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: First Amendment to Lease with Advanced Aerodynamics & Structures, Inc. (District 5)
REVENUE: No Change (Airport Fund)

It is recommended that the City Council request the City Attorney to prepare and authorize the City Manager to execute the First Amendment to Lease with Advanced Aerodynamics & Structures, Inc. (AASI), in order to redefine certain terms to protect the City's interests and to expedite a pending lease assignment for the purpose of financing aircraft manufacturing activity.

BACKGROUND

On January 14, 1998, the City entered into a 30-year ground lease plus a 10-year option to extend the lease with AASI for a 9.94-acre site, on which a 200,000-square foot aircraft manufacturing and office building is located at 3205 Lakewood Boulevard. AASI is the developer/manufacturer of a new single-engine aircraft, the Jetcruzer 500, and is designing the twin-engine Stratocruzer 1250. AASI currently employs over 100 people and hopes to expand to 1000 employees within five years.

Now that the facility is constructed, AASI intends to capitalize the initial production phase of the Jetcruzer in part through sale and leaseback of their building and leasehold. AASI will then become the subtenant under this arrangement. An assignment of the lease is allowed under the lease upon approval by the City Manager. The lease with AASI contains provisions that specify AASI as a high job-production aircraft manufacturer. In order for an assignment to provide reasonable flexibility to an assignee, yet continue to require aircraft manufacturing performance, and to qualify for certain benefits under the lease, a lease amendment is necessary.

As proposed, the lease amendment will:

1. Allow a subtenant (e.g., AASI) to perform all obligations of the tenant;
2. Specify that the benefit of the retail sales tax credit only applies to AASI or a similar aircraft airframe manufacturer, subject to the approval of the City Council; and


- 3 Broaden the "Operation of Business" provision of the lease so that, in the event the building becomes vacant, the tenant is not in a breach of contract by not conducting business as long as the site is actively being marketed, and the tenant is not otherwise in default.

This matter was reviewed by Everett L. Glenn, Deputy City Attorney, on April 30, 1999.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Request the City Attorney to prepare and authorize the City Manager to execute the First Amendment to Lease with Advanced Aerodynamics & Structures, Inc. (AASI), in order to redefine certain terms to protect the City's interests and to expedite a pending lease assignment for the purpose of financing aircraft manufacturing activity.

Respectfully submitted,

for 
RAYMOND T. HOLLAND
DIRECTOR OF PUBLIC WORKS

RTH:CK:pf

APPROVED:


HENRY TABOADA
CITY MANAGER