



30102

AIR COMMERCIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- NET
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions").

1.1 Parties: This Lease ("Lease"), dated for reference purposes only May 17, 2007
is made by and between AP-LONG BEACH AIRPORT LLC, a Delaware limited liability company
("Lessor") and
THE CITY OF LONG BEACH, a municipal corporation
("Lessee"), (collectively the "Parties," or individually a "Party"), pursuant to a minute order adopted by the Long Beach City Council on April 24, 2007.

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease,
and commonly known as 3205 Lakewood Boulevard, Long Beach Airport
located in the County of Los Angeles, State of California
and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project)
114,553 rentable sq. ft. (consisting of approximately 11,340 sq. ft. of hangar and 103,213
sq. ft. of office & warehouse) of an approximately 205,227 square foot building located on
a 10 acre parcel of land, as more particularly shown on Exhibit "A" attached hereto
("Premises"). (See also Paragraph 2)

1.3 Term: See Addendum attached hereto years and months ("Original Term") commencing
See Addendum ("Commencement Date") and ending See Addendum
("Expiration Date") (See also Paragraph 3)

1.4 Early Possession: On or after October 1, 2007 (see Addendum attached hereto)
("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$105,388.76 per month ("Base Rent"), payable on the 1st day of
each month commencing December 1, 2007, subject to Paragraphs 1.3 & 3 of the Addendum attached
hereto. (See also Paragraph 4)

[X] If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted.

1.6 Base Rent and Other Monies Paid Upon Execution:

- (a) Base Rent: \$0.00 for the period n/a
(b) Security Deposit: \$n/a ("Security Deposit") (See also Paragraph 5)
(c) Association Fees: \$n/a for the period n/a
(d) Other: \$n/a for n/a
(e) Total Due Upon Execution of this Lease: \$0.00

1.7 Agreed Use: Solely as permitted by the Master Lease (as defined in Paragraph 51 of
the Addendum attached hereto) (See also Paragraph 6)

1.8 Insuring Party: Lessor is the "Insuring Party" unless otherwise stated herein. (See also Paragraph 6)

1.9 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (the "Brokers") and brokerage relationships exist in this transaction (check
applicable boxes):

- [] represents Lessor exclusively ("Lessor's Broker");
[] represents Lessee exclusively ("Lessee's Broker"); or
[] represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to
in their separate written agreement (or if there is no such agreement, the sum of _____ or _____ % of the total Base Rent)
for the brokerage services rendered by the Brokers.

1.10 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by None ("Guarantor"). (See also Paragraph
37)

1.11 Attachments. Attached hereto are the following, all of which constitute a part of this Lease:

- [] an Addendum consisting of continuation of Paragraphs 1.3, 1.4, 3, 4.4, 7.1, and 7.2, and additional Paragraphs 51 through
59 and Exhibits "A" through "E";
[] a plot plan depicting the Premises;
[] a current set of the Rules and Regulations;
[] a Work Letter;
[] other (specify):

2. Premises.

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2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and, so long as the required service contracts described in Paragraph 7.1(b) below are obtained by Lessee or Lessor (as applicable) and in effect within a reasonable time ~~thirty days~~ following the Start Date, warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), loading doors, sump pumps, if any, and all other such elements in the Premises, other than those constructed by Lessee, shall be in good operating condition on said date and that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "**Building**") shall be free of material defects. ~~If a non-compliance with said warranty exists as of the Start Date, or if one of such systems or elements should malfunction or fail within the appropriate warranty period, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify same at Lessor's expense. The warranty periods shall be as follows: (i) 6 months as to the HVAC systems, and (ii) 30 days as to the remaining systems and other elements of the Building. If Lessee does not give Lessor the required notice within the appropriate warranty period, correction of any such non-compliance, malfunction or failure shall be the obligation of Lessee at Lessee's sole cost and expense.~~

2.3 **Compliance.** Lessor warrants that the improvements on the Premises comply with the building codes, applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") that were in effect at the time that each improvement, or portion thereof, was constructed. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 50), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the Applicable Requirements, and especially the zoning, are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same at Lessor's expense. If Lessee does not give Lessor written notice of a non-compliance with this warranty within 6 months following the Start Date, correction of that non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises and/or Building, ~~the remediation of any Hazardous Substance,~~ or the reinforcement or other physical modification of the Unit, Premises and/or Building ("**Capital Expenditure**"), Lessee shall, at its sole cost and expense, be solely responsible for compliance with such Applicable Requirements, provided, however, before undertaking any Capital Expenditure work, Lessee shall provide Lessor with prior written notice describing the nature and scope of such work. ~~Lessor and Lessee shall allocate the cost of such work as follows:~~

~~(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with use by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and an amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.~~

~~(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for such costs pursuant to the provisions of Paragraph 7.1(d); provided, however, that if such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.~~

~~(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If any the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not, however, have any right to terminate this Lease.~~

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Americans with Disabilities Act), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, nor Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. ~~In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.~~

2.5 ~~**Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.~~

3 Term. See also the Addendum attached hereto.

[Handwritten Signature]
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3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3 of the Addendum attached hereto.

3.2 **Early Possession.** If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. ~~All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain and operate the Premises) shall, however, be in effect during such period.~~ Any such early possession shall not affect the Expiration Date.

3.3 **Delay In Possession.** ~~Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.~~

3.4 **Lessee Compliance.** Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance *as provided herein and in the Addendum (Paragraph 8.5)*. Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent.** *See also the Addendum attached hereto.*

4.1 **Rent Defined.** All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit), are deemed to be rent ("**Rent**"). *Base Rent payable by Lessee during the Original Term of this Lease shall be due in accordance with the schedule of Base Rent contained in Exhibit "C" to the Addendum attached hereto.*

4.2 **Payment.** Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. ~~In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of \$25 in addition to any Late Charge and Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check.~~ Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Operating Expense Increase, and any remaining amount to any other outstanding charges or costs.

4.3 **Association Fees.** ~~In addition to the Base Rent, Lessee shall pay to Lessor each month an amount equal to any owner's association or condominium fees levied or assessed against the Premises. Said monies shall be paid at the same time and in the same manner as the Base Rent.~~

5. **Security Deposit.** ~~Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 14 days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within 30 days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.~~

6. **Use.**

6.1 **Use.** Lessee shall use and occupy the Premises only for the Agreed Use, ~~or any other legal use which is reasonably comparable thereto, and for no other purpose.~~ Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, and/or is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.

6.2 **Hazardous Substances.**

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(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit. *Lessor acknowledges that Lessee will establish and maintain an armory on the Premises and will store firearms and other explosives on the Premises. Lessee may also store fire retardant chemicals on the Premises. Neither of such above described activities shall constitute "Reportable Uses" hereunder.*

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, ~~or any third party~~ (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. **No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.**

(e) Lessor Indemnification. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the ~~gross~~ negligence or ~~willful~~ misconduct of Lessor, its agents or employees or other tenants of Lessor within the Project. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) Investigations and Remediations. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) Lessor Termination Option. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or \$100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 Lessee's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Lessee shall, at Lessee's

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sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, and the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the such Requirements, without regard to whether such Requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 **Inspection; Compliance.** Lessor and Lessor's "Lender" (as defined in Paragraph 30) and consultants shall have the right to enter into the Premises at any time, ~~in the case of an emergency, and otherwise at reasonable times~~ after reasonable notice under the circumstances at hand, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (MSDS) to Lessor within 10 days of the receipt of a written request therefor.

7. **Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations.**

(a) **In General.** Subject to the provisions of Section 7.2 of the Addendum attached hereto, Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations (intended for Lessee's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, roof drainage systems, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition (including, e.g. graffiti removal) consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, when necessary, the exterior repainting of the Building

(b) **Service Contracts.** Subject to Section 7.1 of the Addendum, Lessee shall, at Lessee's sole expense, procure and maintain contracts, with copies to Lessor, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler, and pressure vessels, (iii) fire extinguishing systems, including fire alarm and/or smoke detection, (iv) landscaping and irrigation systems, (v) roof covering and drains, (vi) clarifiers (vii) basic utility feed to the perimeter of the Building, and (viii) any other equipment, ~~if reasonably required by Lessor.~~ However, Lessor reserves the right, upon notice to Lessee, to procure and maintain any or all of such service contracts, and if Lessor so elects, Lessee shall reimburse Lessor, upon demand, for the cost thereof.

(c) **Failure to Perform.** Subject to Section 7.1 of the Addendum, if # Lessee fails to perform Lessee's obligations under this Paragraph 7.1, Lessor may enter upon the Premises after 10 days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf, and put the Premises in good order, condition and repair, and Lessee shall promptly pay to Lessor a sum equal to 115% of the cost thereof.

(d) **Replacement.** ~~Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if an item described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then such item shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is 144 (ie. 1/144th of the cost per month). Lessee shall pay interest on the unamortized balance at a rate that is commercially reasonable in the judgment of Lessor's accountants. Lessee may, however, prepay its obligation at any time.~~

7.2 **Lessor's Obligations.** See Addendum attached hereto. ~~Subject to the provisions of the Addendum and Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.~~

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term "Utility Installations" refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent.** Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. ~~Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed a sum equal~~


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to 3 month's Base Rent in the aggregate or a sum equal to one month's Base Rent in any one year. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. ~~Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor.~~ Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) **Liens; Bonds.** Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, ~~Lessee shall pay its own Lessor's attorneys' fees and costs~~

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership.** Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time up to the Expiration Date, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, ~~at the expiration of~~ *in the event of an early termination of this Lease by Lessor due to a default by Lessee,* become the property of Lessor and be surrendered by Lessee with the Premises, at Lessor's option.

(b) **Removal.** ~~By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease.~~ Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** ~~In the event this Lease is terminated early,~~ Lessee shall surrender the Premises by the ~~Expiration Date or any earlier termination date,~~ with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises, or if applicable, the Project) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. ~~Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire.~~ The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. **Insurance; Indemnity.**

8.1 **Payment For Insurance.** Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) ~~in excess of \$2,000,000 per occurrence.~~ Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within 10 days following receipt of an invoice.

8.2 **Liability Insurance.**

(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$3,000,000 per occurrence and in annual aggregate, with additional coverage of Aircraft Liability in an amount not less than \$10,000,000 per occurrence and in annual aggregate, and Airport Liability (including terrorism insurance) in an amount not less than \$10,000,000 per occurrence and in annual aggregate ~~\$1,000,000 per occurrence with an annual aggregate of not less than \$2,000,000 and umbrella/excess liability insurance of not less than \$5,000,000 per occurrence,~~ an "Additional Insured-Managers or Lessors of Premises Endorsement" (naming Lessor, Abbey Properties II LLC, and The Abbey Management Company LLC as additional insureds) and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

~~(b) Carried by Lessor.~~ Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.

8.3 **Property Insurance - Building, Improvements and Rental Value.**

(a) **Building and Improvements.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with

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loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurance value thereof. ~~If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor.~~ If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. ~~Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located.~~ If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$50,000 \$4,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) **Rental Value.** The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year ~~with an extended period of indemnity for an additional 180 days ("Rental Value insurance").~~ ~~Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.~~ ~~Lessee shall be liable for any deductible amount in the event of such loss.~~

~~(c) **Adjacent Premises.** If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.~~

8.4 Lessee's Property; Business Interruption Insurance.

(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$4,000 \$50,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) **Business Interruption.** ~~Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.~~

(c) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 **Insurance Policies.** Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to Lessor. ~~Lessee shall, at least 30 days prior to the expiration of such policies,~~ furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby, and that such waiver is made prior to such claim or loss.

8.7 **Indemnity.** Except for Lessor's ~~gross~~ negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor from Liability.** ~~Except as caused by Lessor's negligence or breach of this Lease,~~ Lessor shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor nor from the failure of Lessor to enforce the provisions of any other lease in the Project. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance ~~and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance,~~ Lessor shall have the right to obtain such insurance for Lessee, and to bill Lessee as additional Rent, the costs incurred by Lessor in obtaining such coverage, plus an administrative fee equal to 10% of such costs. ~~the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or \$100.~~

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~~whichever is greater.~~ The parties agree that such arrangement increase in Base Rent represents fair and reasonable compensation for the additional risk/ costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such arrangement increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease. Lessee shall be entitled, at its sole discretion, to substitute self-insurance for insurance wherever so required in this Lease (including, without limitation, Addenda).

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 6 months or less from the date that all required permits and approvals are obtained. ~~of the damage or destruction.~~ Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 6 months or less from the date that all required permits and approvals are obtained. ~~of the damage or destruction.~~ Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises which requires repair, remediation, or restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect, provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following the date that such Destruction is deemed to be a Premises Total Destruction pursuant to the terms of this Lease. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) ~~the day prior to the date upon which~~ such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option

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extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after obtaining all required permits ~~such obligation shall accrue~~, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 **Waive Statutes.** Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. **Real Property Taxes.**

10.1 **Definition.** As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises or the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. Real Property Taxes shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises (provided, however, that as to increases in Real Property Taxes due to changes in ownership of the Premises, Lessee shall only be responsible for such increases in connection with the first two (2) sales, transfers or other changes in ownership of the Premises which occur during the term of this Lease, it being understood that any such sales, transfer or changes in ownership which involve Donald G. Abbey or an affiliated entity of Lessor as the buyer or transferee are specifically excluded from the 2 sales/transfers referred to herein), and (ii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** In addition to Base Rent, Lessee shall pay to Lessor an amount equal to the Real Property Tax installment due at least 20 days prior to the applicable delinquency date. If any such installment shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such installment shall be prorated. In the event Lessee incurs a late charge on any Rent payment, Lessor may estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee monthly in advance with the payment of the Base Rent. Such monthly payments shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sum as is necessary. Advance payments may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any such advance payments may be treated by Lessor as an additional Security Deposit.

~~10.3 **Joint Assessment.** If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.~~

10.4 **Personal Property Taxes.** Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.** Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered or billed to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered or billed. There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent. Lessor's consent shall not be required for any assignment or sublease to another government tenant which (i) shall use the Premises (or portion thereof) for a use that is permitted by this Lease and applicable laws, and (ii) does not materially adversely affect the value of Lessor's interest in the Premises and/or the Building.

~~(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee~~

[Handwritten Signature]
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~~shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.~~

~~(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.~~

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefor to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any. ~~Lessee hereby waives any right to charge Lessor assignment fees under Section 9(A)(2) of the Master Lease. Together with a fee of \$500 as consideration for Lessor's considering and processing said request.~~ Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

(h) Notwithstanding the foregoing, Lessee may place any City department or agency within the Premises and such placement shall not constitute an assignment or sublet hereunder.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period.

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(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance required hereunder, including as required by the Master Lease, as the same may be amended from time to time, described in Paragraph 8-3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 17 ~~3~~ business days following written notice to Lessee. The foregoing notwithstanding, as to the first payment of Rent only, Lessee shall have a one-time grace period of 15 business days following written notice from Lessor that such amount is due.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) (v) any document requested under Paragraph 42, (viii) material safety data sheets (MSDS), or (ix) (vi) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 30 ~~40~~ days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease and/or the Master Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

~~(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.~~

13.2 **Remedies.** If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions," shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions



~~of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.~~

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 15 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 2% 40% of each such overdue amount, ~~or \$100, whichever is greater.~~ The Parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. ~~In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.~~

13.5 **Interest.** Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within 30 days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the 31st day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor.**

(a) **Notice of Breach.** Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

(b) **Performance by Lessee on Behalf of Lessor.** In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 25% 40% of the Building, or more than 25% of that portion of the Premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees.**

~~15.1 **Additional Commission.** In addition to the payments owed pursuant to Paragraph 1.9 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee acquires any rights to the Premises or other premises owned by Lessor and located within the same Project, if any, within which the Premises is located, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the schedule of the Brokers in effect at the time of the execution of this Lease.~~

~~15.2 **Assumption of Obligations.** Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.9, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.~~

15.3 **Representations and Indemnities of Broker Relationships.** Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred



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with respect thereto.

16. **Estoppel Certificates.**

(a) Each Party (as "**Responding Party**") shall within 40 15 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIR Commercial Real Estate Association, or if Lessee is the Responding Party in the form requested by Lessor, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 40 15 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

~~(c) If Lessor desires to finance, refinance, or call the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.~~

17. **Definition of Lessor.** The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the ~~fee~~ ground leasehold title to the Premises, or, if this is a sublease, of the ~~Lessee's~~ Tenant's interest in the Master Lease ~~prior lease~~. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit, if any, held by Lessor. ~~Except as provided in Paragraph 15, upon~~ Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability.** The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer.** ~~Subject to the Master Lease, this~~ This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. ~~Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.~~

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail, ~~overnight courier~~ or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 48 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed ~~received on the next business day.~~

24. **Waivers.** No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition



hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. Disclosure Regarding The Nature of a Real Estate Agency Relationship.

~~(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:~~

~~(i) Lessor's Agent. A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: To the Lessor: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.~~

~~(ii) Lessee's Agent. An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations: To the Lessee: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. To the Lessee and the Lessor: a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.~~

~~(iii) Agent Representing Both Lessor and Lessee. A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lessor or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.~~

~~(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The liability (including court costs and attorneys' fees), of any Broker with respect to any breach of duty, error or omission relating to this Lease shall not exceed the fee received by such Broker pursuant to this Lease, provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.~~

~~(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.~~

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then unless otherwise agreed by Lessor, the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lender") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon, this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.


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30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Device to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of such new owner, this Lease shall automatically become a new Lease between Lessee and such new owner, upon all of the terms and conditions hereof, for the remainder of the term hereof, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations hereunder, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership unless such events constitute an ongoing breach of Lessor's obligations under this Lease and are curable by the new owner; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing.** The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees.** If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach (\$200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs.** Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect to Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs.** Lessor may place on the unoccupied portions of the Building, ~~Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs any time that there is vacant space in the Building during the last 6 months of the term hereof.~~ ~~Except for ordinary "for sublease" signs,~~ Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger.** Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents.** Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, ~~a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or a request to make alterations or improvements to the Building or the presence or use of a Hazardous Substance,~~ shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor.** ~~Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real~~

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Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

~~37.2~~ **Default.** It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession.** Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options.** If Lessee is granted an Option, as defined below, then the following provisions shall apply:

~~39.1~~ **Definition. "Option"** shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

~~39.2~~ **Options Personal To Original Lessee.** Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

~~39.3~~ **Multiple Options.** In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

~~39.4~~ **Effect of Default on Options.**

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Multiple Buildings.** If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will abide by and conform to all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessee also agrees to pay its fair share of common expenses incurred in connection with such rules and regulations.

41. **Security Measures.** Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. **Reservations.** Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems *desirable necessary*, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. **Performance Under Protest.** If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

44. **Authority; Multiple Parties; Execution.**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within 30 days after request, deliver to the other party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

~~45~~ **Conflict.** Any conflict between the printed provisions of this Lease and typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.


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46. **Offer.** Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. **Amendments.** This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification, and subject to the approval of the Long Beach City Council. As long, in the reasonable opinion of the Long Beach City Attorney, as they do not materially change Lessee's obligations hereunder. Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

48. **Waiver of Jury Trial.** THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.

49. **Mediation and Arbitration of Disputes.** An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

50. **Americans with Disabilities Act.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

- SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
- RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

Executed at: Long Beach Executed at: Long Beach
On: May 18, 2007 On: _____

By LESSOR:	By LESSEE:
<u>AP-LONG BEACH AIRPORT LLC, a Delaware limited liability company</u>	<u>THE CITY OF LONG BEACH, a municipal corporation</u>
By: <u>Abbey-Properties II LLC, a California</u>	By: <u>Christine J. Shypig</u>
Name Printed: <u>limited liability company</u>	Name Printed: <u>GERALD R. MIWER</u>
Title: <u>Its: Managing Member</u>	Title: <u>CITY MANAGER</u>
By: <u>[Signature]</u>	By: _____
Name Printed: <u>Donald G. Abbey</u>	Name Printed: _____
Title: <u>President</u>	Title: _____
Address: <u>310 Golden Shore, Suite 300 Long Beach, California 90802</u>	Address: <u>333 W. OCEAN BLVD, 13TH FLOOR LONG BEACH, CA 90802</u>
Telephone: <u>(562) 435-2100</u>	Telephone: <u>(562) 570-6916</u>
Facsimile: <u>(562) 435-2109</u>	Facsimile: <u>(562) 570-7630</u>
Federal ID No. _____	Federal ID No. _____

ASSISTANT

BROKER:	BROKER:
_____	<u>APPROVED AS TO FORM</u>
Attn: _____	<u>5/21, 2007</u>
Title: _____	<u>ROBERT E. SHANNON, City Attorney</u>
Address: _____	By: <u>[Signature]</u>
	DEPUTY CITY ATTORNEY

[Signature]
INITIALS



Telephone: () _____ Telephone: () _____
Facsimile: () _____ Facsimile: () _____
Federal ID No. _____ Federal ID No. _____

NOTE: These forms are often modified to meet the changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR COMMERCIAL REAL ESTATE ASSOCIATION, 700 So. Flower Street, Suite 600, Los Angeles, California 90017. (213) 687-8777. Fax No. (213) 687-8616

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**ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL
SINGLE-TENANT LEASE – NET**

(THE CITY OF LONG BEACH, A MUNICIPAL CORPORATION)

This ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE -- NET (this "Addendum") is entered into by and between **AP-LONG BEACH AIRPORT LLC, a Delaware limited liability company** ("**Lessor**"), and **THE CITY OF LONG BEACH, a municipal corporation** ("**Lessee**"), as of the date set forth on the first page of the form lease to which this Addendum is attached (the "**Form Lease**"). The promises, covenants, agreements and declarations contained in this Addendum are intended to and shall have the same force and effect as if set forth in the body of the Form Lease. To the extent that the provisions of this Addendum are inconsistent with the terms and conditions of the Form Lease, the provisions of this Addendum shall control. Except for purposes of determining whether a conflict exists between the Form Lease and this Addendum, the term "**Lease**" (as used herein and in the Form Lease) shall include the provisions of this Addendum. Unless otherwise expressly provided in this Addendum, all initially capitalized terms used herein shall have the meaning assigned to them in the Form Lease.

1.3 Term (Continued). The "Commencement Date" of the Lease term shall be the later of (1) December 1, 2007, and (2) the date that is sixty (60) days from the date that Lessor first delivers all or a portion of the Premises to Lessee with the applicable tenant improvements Substantially Completed (as defined in Section 53(d)(1) below). The Lease term shall expire on January 13, 2038 (the "Expiration Date"), provided, however, that in the event that the term of the Master Lease (as defined in Section 51 below) is extended beyond January 13, 2038, then the Expiration Date shall be deemed to be extended so that the term of this Lease shall always be coterminous with the Master Lease. The term "Original Term", as used in this Lease, shall be deemed to mean the period commencing on the Commencement Date and ending on the Expiration Date, each as defined herein. For the purposes of this Lease, the phrase "a portion of the Premises" shall be deemed to mean at least all of the second floor and the lobby on the first floor.

1.4 Early Possession (Continued). Lessor shall deliver the Premises (or a portion of the Premises) on or after October 1, 2007, and when the applicable tenant improvements in such space are Substantially Completed and such space is ready for occupancy. As used herein, "ready for occupancy" shall mean, as to such applicable portion of the Premises, (1) Lessor obtains a signed-off final inspection card, (2) all Building fire alarms, smoke detectors, exit lights, life safety equipment and other Building code requirements are installed and operational, (3) the Building HVAC, utilities, plumbing service and doors and hardware are sufficiently completed so as to enable Lessee to move in and install its furniture, fixtures, machinery and equipment and conduct normal business operations in such portion of the Premises.

3. Term (Continued). Lessor and Lessee hereby acknowledge and agree that Lessor may deliver the Premises to Lessee in stages, so that Lessee can commence operations from certain portions of the Premises while Lessor continues to prepare other portions of the Premises for delivery to Lessee at a future date. It is the intention of the Parties that, beginning on the date on or after October 1, 2007 and that a portion of the Premises is delivered to Lessee with the applicable tenant improvements Substantially Completed, Lessee shall commence paying for utilities and services used by Lessee in such space, and on the date that is sixty (60) days from the date of such delivery, Lessee shall commence paying for a proportionate amount of Lessee's Percentage Share of Project Operating Expenses (each as defined in Section 4.4(b) below) and Rent for such space. The Parties further acknowledge and agree that each time a portion of the Premises is delivered to Lessee, the Parties shall, within ten (10) business days of the date of such delivery, execute and deliver a written notice identifying in reasonable detail the size and location of the portion of the Premises just delivered to Lessee, the total portion of the Premises then being occupied by Lessee, and the proportionate amount of Rent then payable by Lessee based upon the portion of the Premises delivered to Lessee. The Parties hereby approve the form attached to this Lease as Exhibit "E" as a mutually acceptable form of the written notice contemplated by this Section 3.

4.4 Project Operating Expenses.

(a) The term "Project Operating Expenses" shall consist of all direct costs of operation, repair and maintenance of the Project and its common areas as determined by standard accounting practices. Such direct costs of operation, repair and maintenance shall include, without limitation, the cost of: (a) "real property taxes" (as defined in Paragraph 10.1 of the Form Lease), possessory interest taxes and other assessments levied or assessed against the Building or Project, and any taxes or assessments hereafter imposed in lieu thereof; (b) rent taxes and gross receipts taxes (whether assessed against Lessor, or assessed against Lessee and paid by Lessor, or both); (c) insurance for which Lessor is responsible hereunder or which Lessor or any lender with a first lien affecting the Premises or Project reasonably deems necessary in connection with the operation of the Project; (d) to the extent the same are not paid directly by Lessee, the costs of utilities provided to the Building and the Project, and, utilities surcharges, or any other costs levied, assessed or imposed by, or at the direction of, or resulting from statutes or regulations or interpretations thereof promulgated by, any federal, state, regional, municipal or local government authority in connection with the use or



occupancy of the Project or the Premises; (e) ground lease rent and all other monetary obligations of the lessee under the Master Lease; (f) labor; (g) any and all impositions and assessments imposed with respect to the Building pursuant to any covenants, conditions and restrictions affecting the Project, the Common Areas, or the Building; (h) costs incurred in the management of the Project, if any (including supplies, wages, salaries and fringe benefits of employees used in the management, operation, repair and maintenance of the Project, and payroll taxes and similar governmental charges with respect thereto; and a 2% management fee); (i) HVAC; (j) waste disposal and refuse removal; (k) elevator repair and maintenance; (l) supplies; (m) materials; (n) equipment; (o) tools; (p) routine repair and maintenance (based upon standard office usage over a normal 40-hour week) of the structural portions of the Project, including the roof, plumbing, HVAC, telecommunications and electrical systems installed or furnished by Lessor; (q) operation, maintenance, repair, and upkeep costs of all Common Areas, including related utilities and payroll expenses, rental of personal property used in such operation or maintenance, painting, lighting, resurfacing, cleaning and similar items; (r) costs and expenses of gardening and landscaping; (s) maintenance of signs (other than Lessee's signs); (t) personal property taxes levied on or attributable to Lessee's personal property used in connection with the entire Project, including the Common Areas; (u) reasonable audit or verification fees in connection with maintaining and preparing tax and accounting records for the Project; and (v) reimbursement to Lessor of \$200,000, which is deemed to be the difference (regardless of the actual difference) between the amount Lessor actually pays for labor in connection with the Leasehold Improvements (as defined in Section 53 below) and the amount Lessor would have paid for such labor had the City not required that prevailing wage standards apply to the construction of the Leasehold Improvements; the Parties hereby agree (i) that such amount to be reimbursed by Lessee shall be amortized over the first fifteen (15) years of the Term at an interest rate of eight percent (8%) per annum, and that (ii) notwithstanding anything to the contrary contained in the Lease or this Addendum, Lessee's Percentage Share with respect to the amount described in this subsection (v) shall be 100%.

(b) For purposes of Project Operating Expense calculation and recovery, "Lessee's Percentage Share" is hereby deemed to be 56%. Such share is the product obtained by multiplying (i) 100 by (ii) the quotient obtained by dividing the rentable square feet of the Premises by the total rentable square feet of the Building. Lessee's Percentage Share shall initially be as specified in this Section 4.4(c) and shall be subject to adjustment in the event of a change in the rentable square feet of the Premises and/or the Building (with Lessee's Percentage Share as to the calendar year in which any such change occurs being determined on a pro rata basis based on the number of days during such calendar year at each such percentage share). The Building contains a total Rentable Area of 205,227 square feet as of the date of this Lease. The Parties hereby acknowledge and agree that if Lessee accepts possession of the Premises in phases, as contemplated herein, then Lessee's Percentage Share shall gradually increase in relation to the portion of the Building of which Lessee actually has possession.

During each calendar year of the Original Term, Lessee shall pay Lessor an amount equal to Lessee's Percentage Share of the Project Operating Expenses incurred by Lessor during such calendar year, as permitted by this Lease. To provide for current payments of Project Operating Expenses, Lessee shall, at Lessor's request, pay as additional Rent during each calendar year during the Term of this Lease an amount equal to Lessee's Percentage Share of the Project Operating Expenses payable during such calendar year, as estimated by Lessor from time to time and calculated on a monthly basis ("estimated monthly payments"). Estimated monthly payments shall be made in monthly installments commencing on the first day of the month following the month in which Lessor notifies Lessee of the amount it is to pay hereunder and continuing until the first day of the month following the month in which Lessor gives Lessee a new notice of estimated Project Operating Expenses and estimated monthly payments. It is the intention hereunder to estimate from time to time the amount of the Project Operating Expenses for each calendar year during the Term of this Lease, and then to make adjustments (as hereinafter provided) to the actual Project Operating Expenses due from Lessee each month of the Term of this Lease.

On or before May 1st of each calendar year of this Lease (or as soon thereafter as is practical), Lessor shall deliver to Lessee an itemized statement (the "Statement") setting forth the actual Project Operating Expenses for the preceding calendar year. If the actual Project Operating Expenses for the previous calendar year exceeds the total of the estimated monthly payments made by Lessee for such year, Lessee shall pay Lessor the amount of the deficiency within thirty (30) days of the receipt of the Statement. If such total exceeds the actual Project Operating Expenses for such calendar year, then Lessor shall credit against Lessee's next ensuing monthly installment(s) of additional rent an amount equal to the difference until the credit is exhausted. If a credit is due from Lessor on the Expiration Date, Lessor shall pay Lessee the amount of the credit within thirty (30) days of the Expiration Date. The obligations of Lessee and Lessor to make payments required under this Paragraph 4.4 shall survive the Expiration Date. Project Operating Expenses in any partial year shall be appropriately prorated.

Lessee shall have a period of two (2) years following receipt of the Statement, within which to inspect, at Lessor's office during normal business hours, Lessor's books and records concerning Project Operating Expenses for the Building for the preceding calendar year period in question. Any such inspection may only be done by a certified accountant or firm or the City Auditor of the City of Long Beach, and in no event may such inspection be done by a person or entity which is being paid on a contingency fee basis. If Lessee shall not have availed itself of such inspection within the time period set forth above, Lessee shall be deemed to have accepted as final and determinative

APPROVED
DGA
[Signature]

the amounts shown on the Statement. If Lessee shall have availed itself of its right to inspect the books and records for the Building within the time period set forth above, and then disputes the accuracy of the information set forth in Lessor's books and records with respect to the Statement, Lessee shall be entitled to a credit against amounts otherwise required by the provisions of this Section 4.4. No later than twelve (12) months after Lessee takes a credit, Lessor must (or its right to contest such charges shall be deemed waived) institute proceedings against Lessee to collect and recover any credits taken by Lessee resulting from errors in the books and records of Lessor; and provided further, that Lessor shall, within ten (10) business days of filing of the complaint, serve Lessee with a copy of the complaint filed in any such proceeding. In any such proceeding, each party shall be responsible for all fees incurred by it with respect to the proceeding. Lessee's rights and remedies with respect to any errors and/or overcharges made by Lessor with respect to Project Operating Expenses shall be limited to those expressly set forth in this Paragraph 4.4.

7.1 Lessee's Obligations (Continued). The Parties acknowledge that in preparation of this Lease, they have opted to use as the basis for the lease agreement, the "Standard Industrial/Commercial Single-Tenant Lease – Net" form. The Form Lease contemplates that Lessee will have certain maintenance responsibilities in connection with the Building, the Premises and the common areas of the Project, and procure and maintain service contracts with third parties specializing and experienced in the maintenance of the Building, Premises and common areas, including related equipment and improvements. The Parties agree, however, that Lessee shall have the right to request that Lessor enter into contracts with third party vendors in order to satisfy such maintenance requirements. In the event Lessee requests that Lessor enter into such maintenance contracts, some provisions of the Form Lease relating to each party's maintenance and repair obligations may not be applicable and may need to be modified as a practical matter. Such modifications shall be subject to the Parties' reasonable discretion. Lessor shall have the ability to charge related costs and expenses in connection with such contracts back to Lessee in the form of Project Operating Expenses (as defined below), and Lessee shall pay such amounts to Lessor in accordance with the terms and provisions applicable to payment of monthly Rent.

7.2 Lessor's Obligations (Continued). For the first ten (10) years of the Lease term, Lessor shall, at its sole cost and expense except as otherwise provided herein, be solely responsible for the costs and expenses associated with the repair and replacement of (1) the structural portions of the roof, (2) the structural portions of bearing and exterior walls, and (3) the foundation (collectively, the "Structural Elements") of the Building, (a) the basic plumbing, (b) HVAC, (c) fire suppression, (d) elevators and (e) electrical systems installed or furnished by Lessor (collectively, the "Building Systems"), and, roof and surface parking areas. The Parties acknowledge and agree that during the 10-year period beginning on the first day of the 11th year of the Lease term and ending on the last day of the 20th year of the Lease term, Lessor shall continue to be responsible for the performance of the work in connection with the repair and replacement of the Structural Elements of the Building, Building Systems, roof and surface parking area, but Lessee shall reimburse Lessor for one-half of all costs incurred by Lessor in connection with the repair and maintenance of such elements; such amounts shall be due within thirty (30) days after Lessor submits a written demand for same accompanied by the receipts, invoices or other supporting documentation showing the amounts so expended by Lessor. The Parties further acknowledge and agree that beginning on the first day of the 21st year of the Lease term and then through the remaining Term of the Lease (as the same may be extended), Lessee shall, at its sole cost and expense, be solely responsible for the repair and replacement of the Structural Elements of the Building, Building Systems, roof and surface parking areas. The foregoing notwithstanding, if the during the first 20 years of the Lease term, the repair or replacement of any portion of the Building or Project is necessitated in whole or part by the act, neglect, fault or omission of Lessee, its agents, servants, employees or invitees; in such event, Lessee shall be solely responsible for the costs of such repair or replacement.

The foregoing notwithstanding, Lessor shall not be liable for any failure to make any repairs or perform any maintenance unless such failure persists for an unreasonable time after written notice of the need for such repairs or maintenance is given to Lessor by Lessee. Except as otherwise provided in this Lease, there shall be no abatement of Rent and no liability of Lessor by reason of any injury to or interference with Lessee's operations arising from the making of any required repair or maintenance work in connection with any portion of the Project, Building or Premises, or in or to the fixtures, appurtenances and equipment therein. If Lessor elects to perform any voluntary (i.e. not otherwise required by the terms of this Lease or applicable laws) alterations or improvements to the Project, Building or Premises, then during the period of such renovation/improvement work, Lessor shall exercise commercially reasonable efforts to minimize interference with or disruption of Lessee's operations at the Premises. If Lessor's voluntary renovation/improvement work materially interferes with Lessee's use of the Premises and such interference causes a material adverse impact on Lessee's operations at the Premises and such impact continues beyond a period of forty-eight (48) consecutive hours, Lessee shall be entitled to an equitable abatement of Rent for the period of time as the interference continues past such 48-hour period, prorated by the percentage of the Premises that the Parties reasonably determine is subject to such material interference. Lessor shall not be obligated to repair or maintain any part of the Premises, Building or Project that is damaged by the act, neglect, fault or omission of Lessee, its agents, servants, employees or invitees. If circumstances related to Lessee's use of the Premises require that any work required in connection with Lessor's obligations under this Paragraph 7.2 be commenced and completed in a period of time that is shorter than that which would otherwise be applicable to such obligations pursuant to the terms of this Lease, then Lessee shall have the



right to elect to perform, at its sole cost and expense, any such work, provided that (i) Lessee must first provide Lessor with reasonable, prior written notice of such election, and (ii) Lessor shall have the right to approve (which will not be unreasonably withheld) any such work and/or the proposed contractors.

51. Sublease. This Lease constitutes a sublease of the Premises. Lessor, by assignment, is the tenant of the Premises pursuant to that certain Long Beach Municipal Airport Lease dated October 17, 1997 by and between the City of Long Beach, a municipal corporation ("Master Landlord") and Advanced Aerodynamics & Structures, Inc., a Delaware corporation (Lessor's assignor), as amended (the "Master Lease"). This Lease shall at all times be subject and subordinate to the Master Lease. A true and correct copy of the Master Lease is attached hereto as Exhibit "B".

52. Operation of Business. The sentence added to the end of Section 6(A) of the Master Lease pursuant to the First Amendment thereto shall have no application to Lessee. Lessee shall have no right to cease business operations during any period in which Lessee is attempting to locate an assignee of this Lease or a subtenant of the Premises, and any such cessation shall constitute a default under this Lease.

53. Leasehold Improvements. As incentive for execution of this Lease, Lessor has agreed to construct certain improvements (the "Leasehold Improvements"), as more specifically described herein, within the Premises. The Parties are currently cooperating on the creation of plans detailing the Leasehold Improvements to be constructed by Lessor. After final approval by both Parties, such plans, together with any notes attached thereto (the "Plans"), shall be attached to this Lease as Exhibit "D". All construction drawings and specifications related to the Leasehold Improvements which do not materially conflict with the Plans, shall be deemed part of the Plans. Lessor will construct the Leasehold Improvements utilizing standard quantities of building standard materials in accordance with the Plans.

(a) Construction Schedule and Procedures. As soon as reasonably possible following the execution and delivery of this Lease, Lessor shall instruct the general contractor hired by Lessor (the "Contractor") to build the Leasehold Improvements indicated on the Plans as soon thereafter as reasonably possible, consistent with industry custom and procedure. Lessor agrees that it shall require its contractor to pay its workers involved with the construction of the Leasehold Improvements, the published "prevailing wage" for the applicable categories of labor utilized in connection with the completion of the Leasehold Improvements.

Commencing upon the mutual execution and delivery of this Lease, the Contractor and Lessor's agent(s) shall hold periodic meetings with Lessee's Construction Agents (as defined below) regarding the progress of the construction of the Leasehold Improvements. Such meetings shall be held at a reasonable time and with frequency determined by Lessor or Lessee, and at a location designated by the Contractor. If the Contractor determines that the Leasehold Improvements cannot be constructed in accordance with the Plans, then Lessor shall promptly contact Lessee in order to discuss alternatives. Upon Lessor's request, certain additional agents of Lessee shall attend such meetings.

(b) Change Orders. If Lessee requests any changes to the Plans, Lessor shall not unreasonably withhold its consent to any such changes, provided the changes do not adversely affect the Building's structure, Building systems, equipment, appearance or value, but, if such changes increase the cost of constructing the Leasehold Improvements shown on the Plans, Lessee shall bear such costs and shall pay such increased costs to Lessor upon Substantial Completion of the Premises. The costs charged by Lessor to Lessee caused by Lessee's requesting changes to the Leasehold Improvements or the Plans shall be equal to the sum of (a) the amount of money Lessor has to pay to cause the Leasehold Improvements, as reflected by revised Plans, to be constructed above the costs that Lessor would have had to pay to cause the Leasehold Improvements to be constructed if no changes had been made to the Plans ("Differential"), and (b) any cancellation fees, reshipping charges or any other similar costs incurred by Lessor in connection therewith. If such changes delay Lessor's completion of the work shown on the Plans, then such delay shall constitute a Lessee Delay. Any other actions of Lessee, or inaction by Lessee, which delays Lessor in completing the Leasehold Improvements shown on such Plans shall also constitute Lessee Delay. Whenever possible and practical, Lessor will utilize, for the construction of the Leasehold Improvements, the items and materials designated in the Plans; provided, however, that whenever Lessor reasonably determines in its judgment that it is not practical or efficient to use such materials, Lessor shall have the right to substitute comparable items and materials (or of better quality if no such comparable item exists or is readily obtainable; at no time shall Lessee be required to accept an inferior substitute because of the unavailability of the item specified). If Lessee refuses to grant such consent, and Lessor is reasonably delayed in causing the Premises, or any part thereof, to be Substantially Completed because of Lessee's failure to permit the substitution of comparable items and materials (or of better quality if no such comparable item exists or is readily available), such delay shall constitute Lessee Delays.

(c) Entry by Lessee and Its Agents.

(1) Except as hereinafter provided, Lessee shall not enter the Premises during the performance of the Leasehold Improvements. Lessee hereby designates the Chief of Police and the Fire Chief, or their respective designees, as its authorized agents ("Lessee's Construction Agents") for the purpose of submitting to Lessor and authorizing any Change Orders and for the purpose of consulting with Lessor as to any and all aspects of the Leasehold



Improvements. Lessee's Construction Agents shall have the right to inspect the Premises during the course of the Leasehold Improvements provided Lessee's Construction Agents shall make a prior appointment with Lessor and/or its contractor at a mutually convenient time.

(2) If Lessee enters upon the Premises or any other part of the Building prior to the completion of the Leasehold Improvements, Lessee shall indemnify and save Lessor harmless from and against any and all Losses arising from or claimed to arise as a result of (i) any act, neglect, or failure to act of Lessee, or its agents, employees, representatives, or invitees, or (ii) any other reason whatsoever arising out of Lessee's entry upon the Premises or Building.

(d) Substantial Completion.

(1) Definition. The term "Substantial Completion" means that Lessor has, as certified by Lessor's architect, completed all of the Leasehold Improvements applicable to a certain portion of the Premises as of the date that such portion is being delivered to Lessee, notwithstanding the fact that minor details of construction, mechanical adjustments or decoration which do not materially interfere with Lessee's use of the Premises remain to be performed (items normally referred to as "punch-list" items). The Premises or applicable portion thereof, shall be deemed Substantially Complete, even though Lessee's furniture, furniture systems, telephones, telexes, telecopiers, photocopy machines, computers and other business machines or equipment have not been installed, the purchase and installation of which shall be Lessee's sole responsibility. Subject to the correction by Lessor of the punch-list items, Lessee shall be obligated to accept the Premises or any applicable portion thereof at such time as the Premises are delivered to Lessee Substantially Complete.

(2) Punch-List Items. Concurrently with Lessor's delivery of the Premises to Lessee, Lessee and Lessor shall conduct an inspection of the Premises or portion thereof that is then being delivered to Lessee, and Lessee shall provide Lessor with a written list of all defects, discrepancies and incomplete items of construction. Lessor shall cause such items to be corrected within thirty (30) days or as soon thereafter as reasonably possible.

(3) Contractor's Warranties and Guaranties. Lessor hereby assigns to Lessee all warranties and guaranties by the Contractor relating to the Leasehold Improvements, and Lessee hereby waives all claims against Lessor relating to, or arising out of the construction of, the Leasehold Improvements.

(4) If the date of Substantial Completion is delayed because (1) Lessee modifies the Plans subsequent to their approval, or (2) Lessor is otherwise delayed in the construction of the Leasehold Improvements due to any act or omission of Lessee or anyone performing services on behalf of Lessee, and Lessor or the Contractor has delivered written notice of such delay to Lessee or Lessee's Construction Agents (items (1) and (2) each a being a "Lessee Delay"), the portion of the Premises being delivered to Lessee shall be deemed Substantially Completed, for the purposes of determining the commencement of Lessee's obligation to pay Rent for such portion of the Premises, as of the date that the applicable portion of the Premises would have been Substantially Completed but for any such Lessee Delay, as mutually determined by Lessor and Lessee. In addition, Lessee shall pay to Lessor a sum equal to any additional cost to Lessor in completing the Leasehold Improvements resulting from any Lessee Delay.

54. City Approval. This Lease is conditioned upon the City of Long Beach delivering on or before the Commencement Date or such later date as determined by Lessor, a consent to sublease executed by the Master Landlord.

55. Expansion of the Premises. If, at any time during the first twelve (12) months of the Term of this Lease, the parties enter into a written agreement to expand the size of the Premises, then any additional space taken by Lessee at such time shall be added to this Lease at the rental rates applicable as of the date of the mutual execution of such agreement, in accordance with Exhibit "C" attached hereto.

56. Helicopter Access. During the term of this Lease, Lessor shall provide Lessee with reasonable access to the hangar-area of the Premises from the outside ramp area immediately adjacent to the hangar-area of the Premises, so that Lessee shall be able to store, maintain and utilize its helicopters therein as required by Lessee.

57. Rooftop Equipment. Subject to the conditions of this Paragraph 57, Lessee shall have the right to install, at Lessee's sole expense and risk, roof-mounted satellite dishes and/or antennae and related equipment (the "Rooftop Equipment") on the roof of the Building for Lessee's private use during the term of this Lease. Such right shall be exercisable by Lessee delivering to Lessor reasonable prior written notice, which notice shall indicate (i) the size, weight and type of the Rooftop Equipment being installed, and (ii) the precise location on the roof of the Building where it is to be installed. Lessor agrees to provide such rooftop space to Lessee free of monthly rental charge. Lessee agrees that its installation, use, maintenance and removal of any Rooftop Equipment shall be in compliance with all applicable laws, codes or ordinances. Lessor shall have the right, to reasonably limit the type, size and location of the Rooftop Equipment. Lessee hereby acknowledges and agrees that the rights granted to Lessee herein are non-exclusive and that Lessor may, at its sole discretion, grant similar rights to other tenants of the Building and/or third party licensees.



Notwithstanding any other provision of this Lease to the contrary, Lessee shall, at its sole cost and expense, repair any damage to the Building or any other part of the Project, and/or to any other property owned by Lessor or by any other tenant of Lessor, where such damage is caused by Lessee or any of its agents, representatives or employees in connection with the installation, use, operation, maintenance, relocation, replacement or removal of the Rooftop Equipment. If Lessee fails to repair or any such damage, Lessor may, in its sole discretion, repair such damage and bill Lessee for such costs as additional Rent.

58. Interpretation. The Form Lease and this Addendum shall be deemed to have been drafted by both parties and shall not be interpreted against any person as drafter. In addition, prior drafts of the Form Lease or this Addendum or any letters of intent regarding the same shall not be used in any way to interpret the provisions hereof.

59. Counterparts; Facsimile Execution; Exhibits. This Lease may be executed simultaneously or in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement. Any Party may transmit its signature to this Lease by facsimile and then follow that with the delivery an original wet signature, it being understood, however, that the facsimile signature page shall be deemed an original ink signature for all purposes, whether or not an original wet signature is delivered or received. All exhibits, amendments, riders and addenda attached hereto are hereby incorporated herein and made a part hereof.


[SIGNATURES ON FOLLOWING PAGE]

APPROVED AS TO FORM

5/21, 2007

ROBERT E. SHANNON, City Attorney

By



DEPUTY CITY ATTORNEY



NOW, THEREFORE, the parties have executed this Addendum and the Lease as of the date set forth above.

LESSEE:

THE CITY OF LONG BEACH, a municipal corporation

May 23, 2007

By: Christine J. Shypco

ASSISTANT
EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

The foregoing Lease is hereby approved as to form
this 21 day of May, 2007

ROBERT E. SHANNON
By: [Signature]
Deputy

LESSOR:

AP-LONG BEACH AIRPORT LLC, a
Delaware limited liability company

By: Abbey-Properties II LLC, a
California limited liability company
Its: Managing Member

By: [Signature]

Name: Donald G. Abbey

Its: President

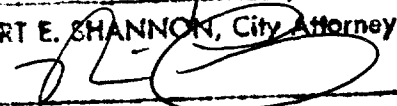


EXHIBIT "A"

The Premises

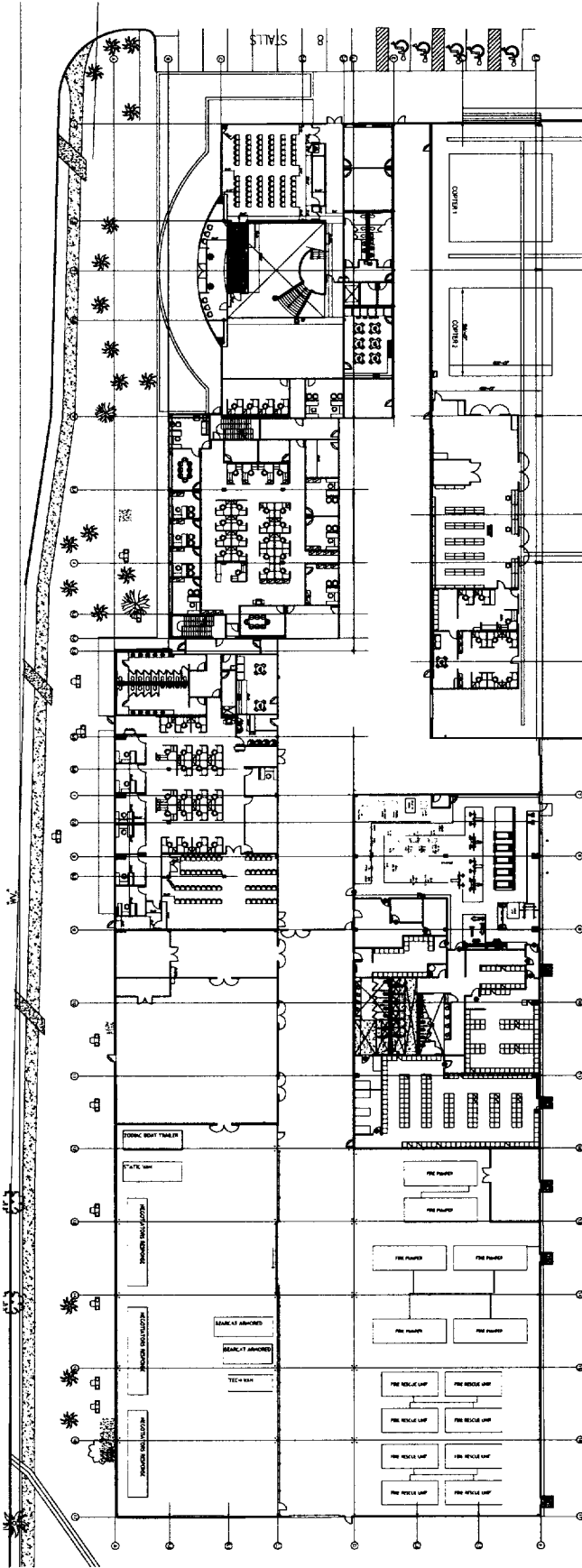
[see attached]

APPROVED AS TO FORM

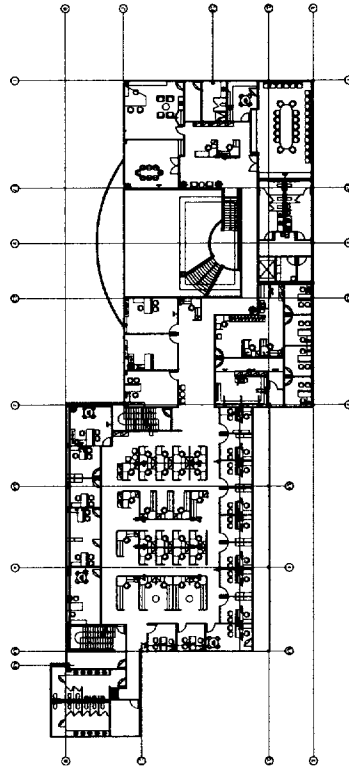
5/21, 2007
ROBERT E. SHANNON, City Attorney
By 
DEPUTY CITY ATTORNEY



GROUND FLOOR



SECOND FLOOR



APPROVED AS TO FORM

5/21, 2007

ROBERT E. SHANNON, City Attorney

By

[Handwritten Signature]

DEPUTY CITY ATTORNEY

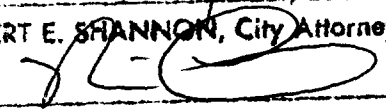


EXHIBIT "B"

The Master Lease

[see attached]

APPROVED AS TO FORM

5/21, 2007
ROBERT E. SHANNON, City Attorney
By 
DEPUTY CITY ATTORNEY



1 **THIRD AMENDMENT TO GROUND LEASE**

2 **NO. 25418**

3
4 THIS THIRD AMENDMENT TO GROUND LEASE NO. 25418 (this "Amendment")
5 is made and entered into in duplicate as of May 17, 2007, pursuant to minute order
6 adopted by the City Council of the City of Long Beach at its meeting of April 24, 2007,
7 by and between the CITY OF LONG BEACH, a municipal corporation ("Landlord"), and AP-
8 LONG BEACH AIRPORT LLC, a Delaware limited liability company ("Tenant").

9
10 A. Landlord and Advanced Aerodynamics & Structures, Inc. ("Original Tenant"),
11 as predecessor-in-interest to Tenant, entered into that certain Long Beach Municipal
12 Airport Lease (Contract No. 25418) dated as of October 17, 1997 (as amended, the
13 "Lease"), as amended by (i) that certain First Amendment dated April 27, 1999 by and
14 between Original Tenant and Landlord and (ii) that certain Second Amendment dated
15 August 15, 2005 by and between Tenant and Landlord.

16
17 B. Landlord and Tenant desire to further amend the Lease by, among other
18 things, evidencing the early exercise of an extension option by Tenant and amending the
19 use restrictions placed upon the Premises.

20 NOW, THEREFORE, Landlord and Tenant agree as follows:

21 1. Tenant exercises its first and only option to extend provided for under Section
22 3.A. of the Lease, so that the term of the Lease is extended for an additional ten (10) year
23 period. The expiration date of the Lease shall be January 13, 2038.

24
25 2. Subsection 2.A. of the Lease is amended and restated in its entirety to read
26 as follows:

27 "A. USE The Premises and any and all improvements located or erected
28 thereupon shall be used as either (i) a manufacturing facility for the manufacture,

1 sale, maintenance and repair of aircraft, administrative office, research and
2 development and such other uses as are incidental to and consistent with the
3 manufacture of aircraft, (ii) facilities for the storage and maintenance of aircraft,
4 vehicles and other public safety equipment, (iii) the sale of fuel to Tenant, or any
5 subtenant or subsubtenant under this Lease, or (iv) general office use as otherwise
6 legally permitted.”

8 3. Subsection 9.C.(3) of the Lease is amended and restated in its entirety to
9 read as follows:

10 “(3) Shall contain a statement that the subtenant agrees to be bound by all
11 terms, covenants and conditions of this Lease which are to be performed by
12 TENANT.”

14 4. Subsection 5.G. of the Lease is amended and restated in its entirety to read
15 as follows:

16 “G. PROPERTY OF CITY Any buildings, structures or other improvements
17 constructed or placed on the Premises by TENANT or other improvements installed
18 by TENANT which service the Premises shall remain the property of TENANT
19 unless TENANT otherwise requests and such request is approved in writing by
20 LANDLORD. Said buildings, structures and other improvements shall become the
21 property of LANDLORD upon the expiration or termination of this Lease without
22 compensation therefor.”

24 5. Subsection 5.I. of the Lease is amended and restated in its entirety to read
25 as follows:

26 “I. In the absence of a written agreement to the contrary or unless otherwise
27 provided herein, the Project, exclusive of trade fixtures, constructed or placed within
28

1 the Premises by TENANT must, upon completion, be free and clear of all liens,
2 claims, or liability for labor and material and shall become the property of
3 LANDLORD at the expiration of this Lease or upon earlier termination hereof
4 without cost or obligation to LANDLORD."
5

6 6. Section 17.E. of the Lease is amended and restated to read in its entirety as
7 follows:

8 "E. SURRENDER OF POSSESSION (1) Upon the termination or earlier
9 expiration of this Lease (whether by lapse of time or otherwise), TENANT shall
10 leave the Improvements on the Premises (but TENANT shall not have any
11 restoration obligation as to the Premises except for any required environmental
12 remediation of the Premises, which TENANT shall undertake at its cost) and shall
13 thereafter peaceably surrender possession within a reasonable period of time, not
14 exceeding thirty (30) days. Notwithstanding the foregoing, the remediation obligation
15 of TENANT shall not apply to (i) a Release by LANDLORD, its agents or
16 employees, on, under or from the Premises prior to the Effective Date, (ii) remedial
17 action or cleanup which is not required by a governmental agency having jurisdiction
18 over the Premises or pursuant to statutory or common law, (iii) any Release on,
19 under or from the Premises occurring prior to the Effective Date, and (iv) a Release
20 into the groundwater under the Premises which TENANT can establish was not
21 caused by TENANT.
22

24 (2) All improvements of any kind constructed, erected or installed upon
25 the Premises shall be and remain the property of TENANT during the term of this
26 Lease. All such Improvements shall automatically become the property of
27 LANDLORD at the time of such termination without compensation therefor.
28

1 (3) Except as to improvements or property owned by LANDLORD upon
2 termination of this Lease (whether by lapse of time or otherwise), TENANT shall
3 cause all personal property upon the Premises, whether or not such property be
4 owned by TENANT or by third parties, to be removed from the Premises prior to the
5 termination date and shall cause to be repaired any damage occasioned by such
6 removal. If the property is not so removed from the Premises, LANDLORD shall
7 have the right to remove and/or sell and/or destroy the same (subject to the interest
8 of any person other than TENANT therein) at TENANT's expense, and TENANT
9 agrees to pay the reasonable cost of any such removal, sale, or destruction within
10 thirty (30) days of receipt of an invoice from LANDLORD."
11

12 7. Subsection 8.B. is amended so that the following language is added to the
13 end thereof:
14

15 "In the event of termination of this Lease by reason of either a default by
16 TENANT that is not (or cannot reasonably be) cured by lender or in the event
17 TENANT'S interest under this Lease shall be sold, assigned or transferred pursuant
18 to the exercise of any remedy of the lender, or pursuant to judicial proceedings or
19 a deed or assignment in lieu of foreclosure, or in the event of the rejection of the
20 Lease by any trustee or debtor in possession in bankruptcy under the provisions of
21 the Bankruptcy Code, 11 U.S.C. Section 365, and if within thirty (30) days thereafter
22 the lender shall have paid, or arranged to the satisfaction of LANDLORD to cure any
23 default on the part of TENANT under this Lease which is susceptible to cure by
24 lender, then LANDLORD, within thirty (30) days after receiving a written request
25 therefore from the lender (which shall be given within forty-five (45) days after the
26 lender receives notice of such termination or within forty-five (45) days of such
27
28

1 transfer, and upon payment to LANDLORD of all expenses, including allocable in-
2 house and reasonable outside attorneys' fees, incident thereto (less the net income
3 collected by LANDLORD from the date of termination to the date of commencement
4 of the term of the new lease), shall execute and deliver to the lender or its nominee,
5 assignee or transferee, as the case may be, a new lease of the Premises. Such
6 new lease shall be for a term equal to the remainder of the term of this Lease as
7 extended by any option to renew exercised by TENANT to extend the term hereof
8 before giving effect to such termination, shall contain all the same material
9 covenants, agreements, provisions, conditions and limitations as this Lease, shall
10 be superior to all rights, liens and interests intervening between the date of this
11 Lease and the date of such new lease, and shall be free of any and all rights of
12 TENANT under this Lease."
13
14

15 8. Subsection 18.D. is amended so that the following language is added to the
16 end thereof:

17 "LANDLORD shall have the right, but not the obligation, to contest any
18 possessory interest or other tax on TENANT'S behalf."
19

20 9. Binding Effect. Except as amended by this Amendment, the Lease remains
21 unchanged and in full force and effect.

22 10. Entire Agreement, Counterparts. This Amendment constitutes the entire
23 agreement between the parties with respect to the subject matter hereof, and may not be
24 modified except in writing signed by both parties. This Amendment may be executed in
25 counterparts, each of which when taken together shall constitute the entire agreement.
26


27 11. Effective Date. This Amendment shall be effective as of the date executed
28 by Landlord.

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

AP-LONG BEACH AIRPORT LLC, a Delaware corporation

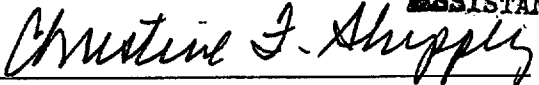
Date: May 18, 2007

By: 
Donald G. Abbey
Its: President

"Tenant"

CITY OF LONG BEACH, a municipal corporation

Date: May 23, 2007


By: 
ASSISTANT

EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

"Landlord"

The foregoing Amendment to Lease is approved as to form this 21 day of May, 2007.

ROBERT E. SHANNON, City Attorney

By: 
Richard F. Anthony, Deputy

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SECOND AMENDMENT
TO
LONG BEACH MUNICIPAL AIRPORT LEASE
25418

THIS SECOND AMENDMENT TO LONG BEACH MUNICIPAL AIRPORT LEASE ("Second Amendment") is made and entered into, in duplicate, pursuant to minute order adopted by the City Council of the City of Long Beach at its meeting of June 14, 2005, by and between the CITY OF LONG BEACH, a municipal corporation ("Landlord"), and AP- LONG BEACH AIRPORT LLC, a Delaware limited liability company ("Tenant").

1. RECITALS. This Second Amendment is made with reference to the following facts and objectives:

1.1 Pursuant to the terms of that certain Long Beach Municipal Airport Lease between Landlord and Advanced Aerodynamics & Structures, Inc., a Delaware corporation ("AASI") dated as of October 17, 1997 ("Lease"), Landlord leased to AASI approximately 9.95 acres of land located at the Long Beach Municipal Airport ("Airport") commonly referred to as parcels B-14 and B-17 (the "Premises") to effectuate the development of aircraft manufacturing and aeronautical research and development facilities at the Airport.

1.2 The Lease was amended by that certain First Amendment to Ground Lease between the parties dated, for identification purposes, as of April 27, 1999 ("First Amendment") to clarify the calculation of the sales tax credit provided for therein and to make certain other amendments to the Lease. The Lease as amended by the First Amendment is referred to herein as the "Ground Lease."

1.3 Pursuant to that certain Assignment and Assumption of Tenant's Interest in Lease and Consent of Landlord Thereto ("Assignment"), AASI assigned, transferred and conveyed all of its right, title and interest in and to the Ground

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1 Lease to Tenant and Tenant assumed and agreed to perform and fulfill all of the
2 terms, covenants, conditions and obligations required to be kept, performed and
3 fulfilled by AASI as Tenant under the Ground Lease, and the City consented to the
4 assignment.

5 1.4 Landlord and Tenant desire to further amend the Ground Lease
6 by modifying the use, insurance and rent provisions of the Ground Lease and to
7 make certain other modifications to the terms and provisions of the Ground Lease.

8 NOW, THEREFORE, the parties do hereby agree as follows:

9 2. USE. Paragraph 2A of the Ground Lease shall be and hereby is
10 deleted in its entirety and a new paragraph 2A added in its place and stead to be and read
11 as follows:

12 "A. USE. The Premises and any and all improvements located or
13 erected thereupon shall be used as a facility for the manufacture, sale,
14 maintenance, storage or repair of aircraft, administrative offices, research
15 and development and such other uses that are incidental to and consistent
16 with the manufacture of aircraft, for the manufacture and sale of high-tech
17 compositions, and other aircraft related uses, specifically excluding, however,
18 fuel sales other than to the Tenant, or any subtenant or subsubtenant under
19 this Lease. No other use of the Premises shall be permitted by Landlord."

20 3. RENT. Paragraph 4B(1) of the Ground Lease shall be and hereby is
21 deleted in its entirety and a new paragraph 4B(1) added in its place and stead to be and
22 read as follows:

23 "(1) Rent (and Adjusted Rent) shall be automatically adjusted
24 annually as of the first day of each lease year ('Adjustment Date')
25 commencing on January 14 2003. Said adjustment shall be made by
26 comparing the Consumer Price Index for all Urban Consumers, All Items,
27 (base year 1982-84 = 100) for Los Angeles-Riverside-Orange County, CA,
28 published by the United States Department of Labor, Bureau of Labor

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1 Statistics ('Index'), which is published for the October that is three months
2 prior to the applicable Adjustment Date ('Current Index'), with the Index
3 published for the October of the calendar year immediately prior to the
4 calendar year of the Current Index ('Beginning Index'). The Rent (or
5 Adjusted Rent) for the lease year commencing on the applicable Adjustment
6 Date shall be set by multiplying the then-current Rent (or Adjusted Rent) by
7 a fraction, the numerator of which is the Current Index and the denominator
8 of which is the Beginning Index; provided, in no event shall an increase in
9 Rent (or Adjusted Rent) exceed five (5%) percent, nor shall a decrease in
10 Rent (or Adjusted Rent) exceed 2% of Rent (or Adjusted Rent) for the lease
11 year immediately prior to the applicable Adjustment Date. If the Index is
12 discontinued or revised during the Term, such other government Index or
13 computation most comparable, as solely determined by Landlord, shall be
14 used in order to obtain substantially the same result as if the Index had not
15 been discontinued. The term 'lease year' shall mean each twelve (12)
16 consecutive calendar month period during the Term or Extended Term,
17 commencing on January 14, 1998 (the "Effective Date"). Landlord and
18 Tenant agree that Rent for the lease year commencing January 14, 2005 is
19 \$17,121.03 after making the adjustments pursuant to this paragraph 4B(1)."

20 4. INSURANCE. Paragraph 7 of the Ground Lease shall be and hereby
21 is deleted in its entirety and a new paragraph 7 added in its place and stead to be and read
22 as follows:

23 "7. INSURANCE. Concurrent with and as a condition of obtaining
24 occupancy of the Premises, Tenant (or any subtenant or any subsubtenant
25 under this Lease) shall procure and maintain at Tenant's expense for the
26 duration of this Lease including any extensions, renewals, or holding over
27 thereof, from insurance companies that are admitted to write insurance in the
28 State of California or that have ratings of or equivalent to an A:VIII by A.M.

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Best and Company, the following insurance:

A. Commercial general liability insurance equivalent in coverage scope to ISO CG 00 01 10 93 or airport liability insurance, including contractual coverage, and, as may be applicable to Tenant's operations, products and completed operations, sudden and accidental pollution and cleanup liability, underground storage tank liability, airport owners and operators liability, hangarkeeper's liability including aircraft in flight, and garagekeeper's legal liability, naming the City of Long Beach, its officials, employees, and agents as additional insureds from and against claims, demands, causes of action, expenses, costs, or liability for injury to or death of persons, or damage to or loss of property arising out of activities performed by or on behalf of the Tenant in an amount not less than Five Million Dollars per occurrence and in the aggregate. Said insurance shall be primary insurance with respect to Landlord, shall include cross liability protection, and its insurer shall agree to waive its right of subrogation against the City.

B. Commercial automobile liability insurance equivalent in coverage scope to ISO CA 00 01 06 92), covering Symbol 1 in an amount not less than Two Million Dollars combined single limit. Said insurance shall be primary insurance with respect to Landlord and shall include cross liability protection.

C. Aircraft liability insurance, including contractual coverage, and, as may be applicable to Tenant's operations, products and completed operations, aircraft products, aircraft liability including passengers, naming the City of Long Beach, its officials, employees, and agents as additional insureds from and against claims, demands, causes of action, expenses, costs, or liability for injury to or death of persons, or damage to or loss of property arising out of activities performed by or on behalf of the Tenant in

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1 an amount not less than Fifteen Million Dollars per occurrence. Said
2 insurance shall be primary insurance with respect to Landlord, shall include
3 cross-liability protection, and its insurer shall agree to waive its right of
4 subrogation against the City.

5 D. 'All Risk' property insurance, including Builder's Risk protection
6 during the course of construction, in an amount sufficient to cover the full
7 replacement value of all buildings and structural improvements erected on
8 the Premises. In addition, the Tenant will endeavor to purchase insurance
9 covering the perils of earthquake and flood (if available from responsible
10 insurance companies at reasonable cost) and debris removal. Landlord
11 shall be named as an additional insured under a standard loss payable
12 endorsement.

13 E. 'All Risk' property insurance in an amount sufficient to cover the
14 full replacement value of Tenant's personal property, improvements, and
15 equipment on the Premises.

16 F. Business interruption insurance providing that the rent due
17 Landlord shall be paid for a period up to twelve (12) months if the Premises
18 are destroyed or rendered inaccessible.

19 G. Workers' compensation insurance in an amount and form as
20 required by all applicable laws. Said insurer of such coverage shall agree to
21 waive its right of subrogation against the City.

22 H. Any self-insurance program, self-insurance retention, or
23 deductibles must be approved separately in writing by Landlord and shall
24 protect the City of Long Beach, its officials, employees, and agents in the
25 same manner and to the same extent as they would have been protected
26 had the policy or policies not contained retention provisions. Each insurance
27 policy shall be endorsed to state that coverage shall not be suspended,
28 voided, changed, or canceled by either party except after thirty (30) days

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prior written notice to Landlord, and shall be primary and not contributing to any other insurance or self-insurance maintained by Landlord.

I. With respect to damage to property, Landlord and Tenant hereby waive all rights of subrogation, one against the other, but only to the extent that collectible commercial insurance is available for said damage.

J. Tenant shall deliver to Landlord certificates of insurance and original endorsements for approval as to sufficiency and form prior to occupancy of the new improvements. The certificates and endorsements for each insurance policy shall contain the original signature of a person authorized by that insurer to bind coverage on its behalf. 'Claims-made' policies are not acceptable unless Landlord's Risk Manager determines that 'Occurrence' policies are not available in the market for the risk being insured. If a 'Claims-made' policy is accepted, it must provide for an extended reporting period of not less than one hundred eighty (180) days.

K. Not more frequently than every three years, if in the opinion of Landlord or of Landlord's Risk Manager or designee, the amount of the foregoing insurance coverage is not adequate, Tenant shall increase the insurance coverage as required by Landlord.

L. Such insurance as required herein shall not be deemed to limit Tenant's liability relating to performance under this Lease. Landlord reserves the right to require complete certified copies of all said policies at any time. The procuring of insurance shall not be construed as a limitation on liability or as full performance of the indemnification and hold harmless provisions of this Lease. Tenant understands and agrees that, notwithstanding any insurance, Tenant's obligation to defend, indemnify, and hold Landlord, its officials, agents, and employees harmless hereunder is for the full and total amount of any damage, injuries, loss, expense, costs, or liabilities caused by the condition of the Leased Premises or in any manner

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1 connected with or attributed to the acts or omissions of Tenant, its officers,
2 agents contractors, employees, subtenants, licensees, patrons, or visitors,
3 or the operations conducted by Tenant, or the Tenant's use, misuse, or
4 neglect of the Leased Premises.

5 M. Any modification or waiver of the insurance requirements
6 herein shall be made only with the written approval of the Landlord's Risk
7 Manager or designee."

8 5. NOTICE. The address for Tenant under paragraph 18K shall be and
9 hereby is amended to be and read as follows:

10 AP-Long Beach Airport LLC
11 310 Golden Shore, Suite 300
12 Long Beach, CA 90802
13 Attn: Don Abbey

14 6. FULL FORCE AND EFFECT. Except as modified by this Second
15 Amendment, all terms and provisions of the Ground Lease remain unchanged and in full
16 force and effect.

17 THE CITY OF LONG BEACH, a municipal
18 corporation

19 By [Signature]
20 Its CITY Manager
21 Dated AUGUST 15, 2005

22 "Landlord"

23 AP-LONG BEACH AIRPORT LLC, a
24 Delaware limited liability company

25 By [Signature]
26 Its President
27 Dated August 3, 2005, 2005

28 By [Signature]
Its VP
Dated August 3, 2005, 2005

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The foregoing Second Amendment to Long Beach Municipal Airport Lease
is hereby approved as to form this 17th day of August, 2005

ROBERT E. SHANNON, City Attorney

By 
Everett L. Glenn, Deputy

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FIRST AMENDMENT TO GROUND LEASE

1. Parties. This First Amendment to Ground Lease ("Amendment"), dated for identification purposes only April 27, 1999, is entered into by and between the CITY OF LONG BEACH, a municipal corporation ("Landlord") and ADVANCED AERODYNAMICS & STRUCTURES, INC., a Delaware corporation ("Tenant").

2. Recitals.

2.1 Landlord and Tenant are parties to that certain Long Beach Municipal Airport Lease dated October 17, 1997 (the "Lease") whereby Landlord leased to Tenant certain property located at Long Beach Municipal Airport, as more particularly described in the Lease (the "Premises").

2.2 The terms used herein shall have the same meanings as defined in the Lease.

3. Amendments. In consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree that the Lease is amended as follows:

3.1 Performance by Subtenant. Any obligation of Tenant under the Lease may be performed by any subtenant of the Premises, and Landlord shall accept such performance as if rendered by Tenant.

3.2 Retail Sales Tax Credit. Paragraph 4(c)(2) is revised to provide that in calculating the Sales Tax Credit, Landlord shall include in its calculations all Sales Taxes, if any, levied by the City upon taxable sales and uses on the Premises attributable to the operations of AASI or a similar aircraft airframe manufacturer approved by the City Council.

3.3 Operation of Business. The following language is added to the end of paragraph 6(a):

"Notwithstanding the provisions of this paragraph 6(A), if Tenant or any subtenant shall cease to operate its business at the Premises to an extent that would otherwise constitute a default under this paragraph 6(A), such cessation shall not constitute a default so long as Tenant is using reasonable efforts to locate a subtenant or assignee that will operate a business at the Premises

as required hereunder and provided further there is no Event of Default by Tenant which has not been cured in accordance with the provisions of paragraph 7 of the Lease.

4. No Other Changes. Except as expressly amended by this Amendment, the Lease shall remain unmodified and in full force and effect in accordance with its terms.

5. Conflicts. If there are any conflicts or inconsistencies between the terms of the Lease and the terms of this Amendment, this Amendment shall control.

6. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same original.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first set forth above.

"LANDLORD"

CITY OF LONG BEACH,
a municipal corporation.

By: [Signature]
Its: ASSISTANT CITY MANAGER

"TENANT"

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

ADVANCED AERODYNAMICS & STRUCTURES, INC.
a Delaware corporation

By: [Signature]
Its: President

By: [Signature]
Its: EXECUTED VP

APPROVED AS TO FORM this 18 day of May, 1999.

ROBERT SHANNON, City Attorney

By: [Signature]
Deputy

COPY

**LONG BEACH MUNICIPAL AIRPORT LEASE
25418**

**CITY OF LONG BEACH
LANDLORD**

**ADVANCED AERODYNAMICS & STRUCTURES, INC.
TENANT**

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8	Exhibit B - Legal Description of Leased Premises, Adjacent Premises and Option Premises
9	Exhibit C - Legal Description of Landscape Area
	Exhibit D - FAA Assurances

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LEASE

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This Lease ("Lease") is made and entered into, in duplicate, as of the 17th day of October, 1997, pursuant to minute order adopted by the City Council of the City of Long Beach, at its meeting held on the 14th day of October 1997, by and between the **CITY OF LONG BEACH**, a municipal corporation, hereinafter referred to as "LANDLORD" and **ADVANCED AERODYNAMICS & STRUCTURES, INC.**, a Delaware corporation, whose address is 3501 Lakewood Boulevard, Long Beach, California 90808, hereinafter referred to as "TENANT".

1. SUBJECT OF LEASE

A. PURPOSE OF LEASE

The purpose of this Lease is to effectuate the development of aircraft manufacturing and aeronautical research and development facilities at Long Beach Municipal Airport ("Airport"). It is contemplated that the Premises (defined below) will be developed with a 150,000 to 200,000 square foot manufacturing facility and a 21,000 to 25,000 square foot office building ("Project").

B. PREMISES

(1) Premises. In consideration of the faithful performance of the covenants and conditions hereinafter agreed to be kept by LANDLORD and TENANT, LANDLORD does hereby lease and TENANT does hereby take and accept the following described premises (the "Premises"); Parcels B-14 and B-17 consisting of approximately 9.94 acres of land located at the Airport as PD12(3) IG

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1 shown on the drawing attached as Exhibit "A" and as legally
2 described in Exhibit "B" attached hereto, both of which are
3 incorporated herein by this reference.

4 (2) Landscape Area.

5 (a) Boundaries. LANDLORD and TENANT
6 acknowledge that LANDLORD owns a strip of land between the
7 easterly boundary of the Premises and the westerly boundary of
8 Lakewood Boulevard (the "Landscape Area"). The Landscape Area
9 is more particularly described on Exhibit "C" attached hereto
10 and incorporated by this reference.

11 (b) Maintenance. TENANT shall, during the
12 term and any extended term of this Lease, landscape and
13 maintain the Landscape Area to the reasonable satisfaction of
14 LANDLORD. All landscaping and maintenance of the Landscape
15 Area shall be at the sole cost and expense of TENANT.

16
17 (c) Access to Premises. LANDLORD hereby
18 grants TENANT an easement for vehicular and pedestrian ingress
19 and egress over and across the Landscape Area. TENANT assumes
20 the responsibility for the construction of the improvements
21 for vehicular and pedestrian ingress and egress across the
22 Landscape Area at such locations as approved by City in
23 connection with its approval of the Site Plan. The parties
24 contemplate that the State of California ("State") will take
25 all or a portion of the Landscape Area for use in widening
26 Lakewood Boulevard ("Widening Project"). LANDLORD shall be
27 entitled to any condemnation award paid by the State in
28 connection with the taking or acquisition of all or a portion

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1 of the Landscape Area. The easement granted herein and
2 TENANT's rights and responsibilities under this paragraph (2)
3 shall terminate upon the taking of the Landscape Area by the
4 State. In the event not all of the Landscape Area is taken in
5 connection with the Widening Project, and TENANT is granted an
6 encroachment permit by the State, the easement and TENANT's
7 rights and responsibilities under this paragraph 2 shall, to
8 the extent not in conflict with the rights of the State,
9 remain in force and effect over the portion of the Landscape
10 Area not utilized for the Widening Project throughout the term
11 or any extended term of this Lease.

12 C. ADJACENT PREMISES

13 (1) Adjacent Premises Option. LANDLORD is the
14 owner of certain property adjacent to the Premises commonly
15 known as Parcel B-13 and consisting of approximately 3.38
16 acres ("Adjacent Premises"). The Adjacent Premises are shown
17 on the drawing attached as Exhibit "A" and legally described
18 in Exhibit "B" attached hereto, and incorporated herein by
19 this reference. The Adjacent Premises are currently leased to
20 the County of Los Angeles ("County") pursuant to the terms of
21 that certain lease dated October 14, 1968 ("Routh Lease")
22 between LANDLORD and James N. Routh ("Routh"). County is the
23 successor-in-interest to Routh pursuant to that certain Final
24 Order of Condemnation dated January 9, 1976. LANDLORD hereby
25 grants TENANT the exclusive option ("Adjacent Premises
26 Option"), for a period of three (3) years from the Effective
27 Date and subject to termination of the County Lease, to lease

28 /

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1 the Adjacent Premises.

2 (2) Exercise of Adjacent Premises Option. TENANT
3 shall exercise the Adjacent Premises Option by giving LANDLORD
4 written notice of its decision to exercise the Adjacent
5 Premises Option within thirty (30) days of the expiration or
6 earlier termination of the County Lease. Notwithstanding the
7 foregoing, the parties understand and agree that so far as
8 reasonably applicable to the Adjacent Premises the conditions
9 set forth in paragraph 3(C) below must be satisfied by TENANT
10 or waived in writing by LANDLORD or TENANT, as the case may
11 be, as a condition precedent to occupancy of the Adjacent
12 Premises. All conditions shall be satisfied or waived within
13 ninety (90) days after the date TENANT notifies LANDLORD of
14 its decision to exercise the Adjacent Premises Option. The
15 Adjacent Premises Option shall be deemed exercised when the
16 conditions set forth in paragraph 3(C) below have been
17 satisfied. In the event TENANT fails to validly and timely to
18 exercise the Adjacent Premises Option, the Adjacent Premises
19 Option shall expire and TENANT shall execute and deliver to
20 LANDLORD such documentation as LANDLORD reasonably requires to
21 remove any lien or cloud on its title to the Adjacent
22 Premises. The Adjacent Premises Option may not be assigned
23 separately from the assignment of this Lease provided that
24 this provision shall not preclude TENANT from assigning the
25 Adjacent Premises Option to a lender (defined in paragraph 8
26 below) as additional security, together with this Lease.

27 (3) Effect of Exercise of Adjacent Premises Option.
28 In the event TENANT validly and in a timely manner exercises

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1 the Adjacent Premises Option, the Adjacent Premises shall
2 become part of the Premises, subject to all terms and
3 conditions of this Lease, provided that Rent shall be payable
4 in accordance with paragraph 4(A)(2) below, and provided,
5 further, that TENANT's right to occupy the Adjacent Premises
6 shall be coterminous with the Term of this Lease.

7 (4) Relocation of Existing Tenant. LANDLORD agrees
8 to cooperate with TENANT in TENANT's effort to cause the
9 County to relocate its facilities. In the event County
10 agrees to relocate its facilities, TENANT agrees to pay or
11 reimburse the County, as determined by County in its sole
12 discretion, for all costs incurred by County.

13 D. OPTION PREMISES

14 (1) Option Premises. LANDLORD is the owner of
15 certain property adjacent to the Premises commonly known as
16 Parcel B-16 and consisting of approximately 1.40 acres
17 ("Option Premises"). LANDLORD hereby grants TENANT the
18 exclusive option ("Option") for a period of twelve (12) months
19 ("Option Term") commencing on the date of the second
20 anniversary of the Effective Date to lease the Option Premises
21 unless, prior to commencement of the Option Term, the County
22 exercises the option to lease the Option Premises, in which
23 case the Option shall expire and be of no further force or
24 effect. The Option Premises are shown on the drawing attached
25 hereto marked Exhibit "A" and are legally described in Exhibit
26 "B" attached hereto, both of which are incorporated herein by
27 this reference.

28 (2) Exercise of Option. TENANT shall exercise the

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1 Option by giving LANDLORD written notice of its decision to
2 exercise the Option at least ninety (90) days prior to the
3 expiration of the Option Period. Notwithstanding the
4 foregoing, the parties understand and agree that so far as
5 reasonably applicable to the Option Premises the conditions
6 set forth in paragraph 3(C) below must be satisfied by TENANT
7 or waived in writing by LANDLORD or TENANT, as the case may
8 be, as a condition precedent to the exercise of the Option.
9 All conditions shall be satisfied or waived within ninety (90)
10 days after that date TENANT notifies LANDLORD of its decision
11 to exercise the Option. The Option shall be deemed exercised
12 when the conditions set forth in paragraph 3(C) below have
13 been satisfied. In the event TENANT fails to validly and
14 timely exercise the Option, the Option shall expire and TENANT
15 shall execute and deliver to LANDLORD such documentation as
16 LANDLORD reasonably requires to remove any lien or cloud on
17 its title to the Option Premises. The Option may not be
18 assigned separately from the assignment of this Lease,
19 provided that this provision shall not preclude TENANT from
20 assigning the Option to a lender (defined in paragraph 8
21 below) as additional security, together with this Lease.

22 (3) In the event TENANT validly and in a timely manner
23 exercises the Option, the Option Premises shall become part of
24 the Premises subject to all terms and conditions of the Lease,
25 provided that Rent shall be payable in accordance with
26 paragraph 4(A)(3) below, and provided, further, that TENANT's
27 right to occupy the Option Premises shall be coterminous with
28 the Term of the Lease.

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1 E. CONDITION OF PREMISES

2 TENANT accepts the Premises in their "as is" condition
3 and acknowledges that TENANT has not received and LANDLORD has not
4 made any warranty, express or implied as to the condition of the
5 Premises or any improvements, structures, substructures, or
6 infrastructures located thereon. TENANT shall be responsible for
7 demolishing all buildings and other structures located on the
8 Premises, which shall include the removal of the building
9 foundations and footings and related soil compaction. TENANT
10 agrees, to keep the Premises in a neat, orderly and safe condition
11 and free of waste, rubbish and debris during the term of this
12 Lease. LANDLORD has no knowledge of the presence of Hazardous
13 Materials as that term is defined in paragraph 6 below, on or in
14 the surface or subsurface the Premises or groundwater beneath the
15 Premises.

16 2. USE

17 A. USE The Premises and any and all improvements
18 located or erected thereupon shall be used primarily as a
19 manufacturing facility for the manufacture, sale, maintenance and
20 repair of aircraft, administrative office, research and development
21 and such other uses as are incidental to and consistent with the
22 manufacture of aircraft, and secondarily for the manufacture and
23 sale of high-tech compositions. No other use of the Premises shall
24 be permitted by LANDLORD.

25 B. USE OF AIRPORT FACILITIES

26 TENANT shall have, in conjunction with the general public
27 and other airport users, a non-exclusive right to the use of the
28 public airport facilities provided and developed by LANDLORD for

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1 public aviation use on such terms and conditions as such facilities
2 may be made available by LANDLORD either now or in the future to
3 other users and fixed base operators at the Airport and subject to
4 all applicable laws and rules of the United States, the State of
5 California or the City of Long Beach governing aviation, air
6 navigation or the use of the Airport. TENANT, its subtenants,
7 customers, and invitees shall have a right to access to the Airport
8 from the Premises, including taxiways and runways consistent with
9 the purposes and requirements of this Lease.

10 C. AIRCRAFT PARKING, STORAGE AND HANGARS

11 (1) TENANT may, as an incident of its manufacture
12 and maintenance of TENANT's and its customers' aircraft,
13 provide open aircraft parking aprons which shall be so
14 designed, marked and maintained, as to provide for safe and
15 functional parking of aircraft, including sufficient distance
16 between all structural elements (including, but not limited to
17 body, wings and tail) of parked aircraft to permit safe
18 movement of aircraft to and from aircraft parking spaces.
19 Aircraft tie-down equipment or apparatus shall be of a type
20 approved by LANDLORD's Airport Manager ("Airport Manager") for
21 use at the Airport and all aircraft designed and equipped to
22 be tied down shall be properly secured to such tie-down
23 apparatus when left unattended. All tie down spaces shall be
24 clearly marked on the pavement with an identification number
25 in such manner that each individual parking space can be
26 easily identified.

27 (2) TENANT will provide and maintain taxi lanes and
28 aircraft-parking spaces clear of obstacles, vehicles and

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1 improperly parked aircraft in a manner which will permit safe
2 and convenient movement of aircraft throughout all open
3 parking areas.

4 (3) TENANT will provide adequate aircraft parking
5 spaces on the Premises to accommodate visiting aircraft or
6 aircraft present at TENANT's facility. Parking is permitted
7 only in designated spaces and TENANT expressly covenants and
8 agrees to make every reasonable and prudent effort to prevent
9 parking of aircraft or ground vehicles on property contiguous
10 to the Premises but not a part thereof. The Airport Manager
11 may require creation of additional parking spaces if he finds
12 that aircraft using TENANT's facilities are parking in areas
13 other than authorized tie downs or hangar spaces.

14 (4) Maintenance and repair of aircraft on the based
15 and transient aircraft parking area shall be limited to that
16 permitted by Federal Aviation Regulations Part 43.3(h) and
17 Appendix A(c), unless otherwise specifically authorized in
18 writing by the Airport Manager. Said parking areas shall be
19 kept free from partially dismantled (unless being repaired by
20 TENANT) or derelict aircraft.

21 (5) All aircraft service, maintenance, repair,
22 inspection and building activities conducted for financial
23 gain within or from aircraft storage hangars shall be done by
24 TENANT, other tenants or sub-tenants located on the Airport or
25 their duly authorized personnel. No other persons may perform
26 such work.

27 (6) Aircraft hangars constructed after the date of
28 execution of this Lease for storage of aircraft owned by the

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1 public shall be so designed and constructed by means of a
2 method approved by the Airport Manager as to permit
3 verification for identification, safety and security purposes
4 of all aircraft parked therein at all times without
5 compromising the security of such aircraft.

6 D. AUTOMOBILE PARKING

7 TENANT agrees to provide sufficient automobile parking on
8 the Premises as specified in TENANT's approved Site Plan and
9 applicable zoning requirements to accommodate the parking needs of
10 patrons, visitors and employees, provided, however, that Airport
11 streets and access roadways may not be utilized to comply with this
12 requirement.

13 In the event TENANT cannot satisfy the parking
14 requirements of City, LANDLORD agrees to use its best efforts to
15 secure all governmental approvals required in order to provide
16 TENANT with land adjacent to the Premises suitable for the required
17 additional parking. Rent for the Premises will be increased by an
18 amount calculated on the basis of the same square footage cost upon
19 which Rent was originally calculated. In the event LANDLORD is not
20 able to provide adjacent property for parking purposes, LANDLORD
21 will provide TENANT with the number of parking spaces required to
22 satisfy the City's parking requirement from the nearest available
23 parking facility. TENANT shall and hereby agrees to pay LANDLORD's
24 standard monthly charges for the parking spaces.

25 E. AVIGATION EASEMENT

26 There is hereby reserved to the LANDLORD, its successors
27 and assigns, for the use and benefit of the public, a right of
28 flight for the passage of aircraft in the airspace above the

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1 surface of the Premises. This public right of flight shall include
2 the right to cause in said airspace any noise inherent in the
3 operation of any aircraft used for navigation or flight through
4 said airspace or landing at, taking off from or operation on the
5 Airport.

6 F. NOISE ABATEMENT

7 TENANT expressly covenants to make every reasonable and
8 prudent effort to ensure that aircraft based on, or operating from,
9 the Premises adhere to duly adopted present and future Noise
10 Abatement programs and rules and regulations relating thereto.

11 G. RESERVATIONS TO LANDLORD

12 (1) The Premises are accepted by TENANT subject to
13 any and all existing or planned easements or other
14 encumbrances and LANDLORD shall have the right to install,
15 lay, construct, maintain, repair and operate such sanitary
16 sewers, drains, storm water sewers, pipelines, manholes,
17 connections; water, oil and gas pipelines; and telephone and
18 telegraph powerlines and such other appliances and
19 appurtenances necessary or convenient to use in connection
20 therewith over, in, upon, through, across and along the
21 Premises or any part thereof, as will not unreasonably
22 interfere with TENANT's operations hereunder and to enter
23 thereupon for any and all such purposes. LANDLORD also
24 reserves the right to grant franchises, easements, rights of
25 way and permits in, over, and upon, along, or across any and
26 all portions of said Premises as LANDLORD may elect so to do,
27 provided, however, that no right of the LANDLORD provided for
28 in this subparagraph 2(G) shall be so executed as to interfere

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1 unreasonably with TENANT's operations hereunder, or impair the
2 security of any secured creditor of TENANT.

3 (2) LANDLORD agrees that any right as set forth by
4 this subparagraph 2(G) shall not be exercised unless a prior
5 written notice of thirty (30) days is given to TENANT.
6 However, if such right must be exercised by reason of
7 emergency LANDLORD will give TENANT such notice in writing as
8 is possible under the existing circumstances.

9 (3) LANDLORD will cause the surface of the Premises
10 to be restored to its original condition upon the completion
11 of any construction done pursuant to paragraph 6 below.

12 (4) LANDLORD reserves the right to enter and have
13 access to the Premises in order to make, construct or carry
14 out airport improvements.

15 (5) LANDLORD shall not unreasonably interfere with
16 TENANT's operations or enjoyment of the Premises or impair the
17 security of any secured creditor in the exercise of the rights
18 granted pursuant to this subparagraph 2(G).

19 (6) Should any exercise of the rights described in
20 this subparagraph 2(G) result in an unreasonable interference
21 with TENANT's use of the Premises, LANDLORD shall provide
22 compensation to TENANT by means of a reduction in rent equal
23 to the amount of the interference which shall continue until
24 TENANT has been compensated in an amount equal to its actual
25 out-of-pocket costs.

26 H. FEDERAL AVIATION ADMINISTRATION ASSURANCES

27 This Lease is subject to certain assurances mandated by
28 the Federal Aviation Administration for inclusion in airport

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1 leases. These assurances are set out in full in Exhibit "D"
2 attached hereto and made a part hereof.

3
4 **3. TERM**

5 **A. COMMENCEMENT OF TERM**

6 Commencement of the term of this Lease, and TENANT'S
7 rights hereunder are subject to satisfaction, on or before November
8 15, 1997 (the "Effective Date"), of each of the conditions set
9 forth in subparagraph (C) below, unless waived in writing by
10 LANDLORD or TENANT under subparagraph C(1) and C(2) below. This
11 Lease shall be for a term of thirty (30) years ("Term"), commencing
12 on the Effective Date. Provided TENANT is not in default in any of
13 its obligations under this Lease, TENANT shall have the exclusive
14 option to extend the term of this Lease on the same terms and
15 conditions for an additional ten (10) year period ("Extended
16 Term"). TENANT shall notify LANDLORD of its decision to exercise
17 the option to extend the Term at least one hundred and eighty (180)
18 days prior to the expiration of the Term.

19
20 **B. PRELIMINARY TITLE REPORT**

21 Within 15 days after execution of this Lease, LANDLORD
22 will obtain and deliver to TENANT a preliminary title report (the
23 "Preliminary Title Report") from Stewart Title ("Title Company")
24 based on the current condition of title for the Premises, together
25 with legible copies of the exceptions and other relevant documents
26 of record. TENANT shall have the right to disapprove the condition
27 of title as evidenced by the Preliminary Title Report and any
28 survey ("Survey") of the Premises obtained by TENANT within forty-

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1 five (45) days of the receipt of the Preliminary Title Report. If
2 TENANT disapproves the Preliminary Title Report and/or exceptions
3 to title disclosed by the Survey within such period, and a modified
4 Preliminary Title Report or Survey in a condition satisfactory to
5 TENANT in its sole discretion is not obtained by LANDLORD within
6 thirty (30) days, and unless TENANT agrees to extend it for an
7 additional period of time up to sixty (60) days to enable LANDLORD
8 to cure the item objected to by TENANT, then this Lease shall
9 terminate and, except for the indemnification obligations of TENANT
10 in connection with the Feasibility Review, the parties shall be
11 released from their respective obligations hereunder. With respect
12 to any disapproval by TENANT respecting the Preliminary Title
13 Report or Survey, TENANT shall set forth the reason for such
14 disapproval. LANDLORD is entitled to (but not required to)
15 endeavor to remove or eliminate such disapproved matter. In the
16 event LANDLORD does not eliminate any such disapproved matter,
17 TENANT shall have the option of waiving the disapproved matter and
18 accepting title to the Premises subject to the disapproved matter
19 or terminating this Lease. In the event TENANT elects to terminate
20 this Lease, the parties shall be released from their respective
21 obligations hereunder, except for the indemnification obligations
22 of TENANT in connection with the Feasibility Review.

23 C. CONDITIONS TO COMMENCEMENT OF TERM

24 (1) Conditions in Favor of LANDLORD. The following
25 are conditions precedent to commencement of the Term for the
26 sole benefit of LANDLORD, each of which must be satisfied or
27 waived in writing by LANDLORD. For purpose of this
28 subparagraph (C), the term "LANDLORD" shall refer to the City

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1 of Long Beach in its capacity as the actual owner of the
2 Premises and its capacity as lessor of the Premises to TENANT.
3 The term "City" shall refer to the City of Long Beach in its
4 municipal or governmental capacity. If (i) the LANDLORD
5 conditions are satisfied or (ii) a Failure of Condition Notice
6 has been delivered to TENANT and the defect specified therein
7 has been cured, LANDLORD shall deliver to TENANT its written
8 notice of the satisfaction of the condition or that
9 satisfaction of the condition has been waived. In order to
10 claim that one or more of LANDLORD's conditions have failed
11 to be satisfied ("Failure of a Condition"), LANDLORD must
12 deliver a written notice ("Failure of Condition Notice") of
13 the Failure of a Condition to TENANT in adequate detail
14 specifying the LANDLORD condition claimed to have failed, the
15 nature and grounds for claiming the Failure of Condition in a
16 manner sufficient to allow the TENANT to understand and
17 attempt to cure such Failure of a Condition. The LANDLORD
18 conditions are:

19 (a) Concept Plan. LANDLORD shall have reviewed and
20 approved a concept plan (" Plan") for the Project, including
21 all off-site improvements to the Premises required by this
22 Lease, including landscaping of the Landscape Area and the
23 off-site improvements to the Lakewood Boulevard frontage
24 adjacent to Parcel B-17 and including the exterior of the Los
25 Angeles County Flood Control Easement at the corner of Spring
26 Street and Lakewood Boulevard (collectively, the "Off-Site
27 Improvements"). The Plan shall be prepared with the
28 cooperation of LANDLORD and at the sole cost and expense of

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1 TENANT. LANDLORD shall approve or disapprove of the Plan
2 within thirty (30) days from the date the Plan are received by
3 LANDLORD. Failure by LANDLORD to either approve or disapprove
4 the Plan within the time allowed shall be deemed an approval.
5 Any disapproval shall state in writing the reasons for
6 disapproval and changes which LANDLORD requests to be made.

7 (b) Site Development Plan. City and LANDLORD shall
8 have reviewed and approved a site development plan ("Site
9 Plan") containing the overall plan for the construction and
10 development of the Project, including the improvements to be
11 constructed on the Premises ("Improvements"). The Site Plan
12 shall be prepared with the cooperation of LANDLORD and at the
13 sole cost and expense of TENANT. LANDLORD shall approve or
14 disapprove of the Site Plan within thirty (30) days from the
15 date the Site Plan is received by LANDLORD. Failure by
16 LANDLORD to either approve or disapprove the Site Plan within
17 the time allowed shall be deemed an approval. Any disapproval
18 shall state in writing the reasons for disapproval and changes
19 which LANDLORD requests to be made.

20 (c) Plans and Specifications. City and LANDLORD
21 shall have received and approved the final construction plans,
22 drawings and designs ("Plans") for the Project. LANDLORD
23 shall have the right of reasonable architectural review of the
24 Plans concerning exterior elevations, exterior materials,
25 including selections and colors) and the size, bulk and scale
26 for all improvements.

27 (d) Approvals. TENANT, at its sole cost and
28 expense, shall have obtained all permits and approvals

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1 required by the City and LANDLORD and all other State and
2 Federal governmental authorities having jurisdiction over the
3 Premises to commence and complete development and construction
4 of the Project in accordance with the Plans.

5 (e) Schedule of Performance. LANDLORD shall have
6 reviewed and approved a schedule of the anticipated
7 performance in connection with construction and development of
8 the Project.

9 (f) Financing. LANDLORD shall have received
10 evidence reasonably satisfactory to it that TENANT has
11 sufficient equity capital or has obtained a firm and binding
12 commitment for equity capital and/or debt financing sufficient
13 to enable TENANT to construct, develop and commence operations
14 of the Project in accordance with the requirements of this
15 Lease. To the extent that TENANT proposes to utilize working
16 capital to finance the construction and development of the
17 Project, the funds shall be deposited into a segregated
18 account and disbursed in accordance with the terms of the
19 escrow agreement attached hereto as Exhibit "H."

20 (g) Construction Contract. TENANT shall have
21 provided LANDLORD with satisfactory evidence that TENANT has
22 entered into a construction contract for the development and
23 construction of the Project.

24 (h) Environmental Matters. TENANT shall have
25 obtained all permits, licenses and other authorizations
26 required by Environmental Laws (defined in paragraph 7(A)
27 below) for the construction and development of the Project.

28 (2) Conditions in Favor of Tenant. The following

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1 are conditions precedent to commencement of the Term for the
2 benefit of TENANT, each of which must be satisfied or waived
3 in writing by TENANT in its sole discretion. If (i) the
4 TENANT conditions are satisfied; (ii) TENANT fails to deliver
5 a Failure of Condition Notice on or before thirty (30) days
6 after the latter to occur; or (iii) a Failure of Condition
7 Notice has been delivered and the defect specified therein has
8 been cured, TENANT shall deliver to LANDLORD its written
9 notice of the satisfaction of the condition or that
10 satisfaction of the condition has been waived. In order to
11 claim that one or more of TENANT's conditions have failed to
12 be satisfied ("Failure of a Condition"), TENANT must deliver
13 a written notice ("Failure of Condition Notice") of the
14 Failure of a Condition to LANDLORD promptly upon acquiring
15 knowledge of a Failure of Condition. The Failure of Condition
16 Notice shall be in adequate detail specifying the TENANT
17 condition claimed to have failed, the nature and grounds for
18 claiming the Failure of Condition in a manner sufficient to
19 allow the LANDLORD to understand and attempt to cure such
20 Failure of a Condition. Upon determination that a TENANT
21 condition has been satisfied, TENANT shall, upon written
22 request of LANDLORD, acknowledge in writing to LANDLORD that
23 such TENANT condition has been satisfied. The TENANT
24 conditions are:

25 (a) Feasibility Review. TENANT shall have
26 conducted all soil and other geological, engineering,
27 environmental and related tests and studies and investigated
28 such other matters deemed relevant and appropriate

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1 ("Feasibility Review") to determine the suitability of the
2 Premises for the construction of the Project. The Feasibility
3 Review shall be conducted at TENANT's sole cost and expense.
4 TENANT, its agents, employees and contractors (collectively
5 "TENANT") shall have the right and privilege upon five (5)
6 days prior written notice, and the consent of Airport Manager,
7 to enter upon of the Premises to conduct the Feasibility
8 Review. TENANT shall indemnify, defend protect and hold
9 harmless City, its officers and employees from and against any
10 and all claims, demands, liabilities, costs, actions, causes
11 of actions and suits arising out of or in connection with the
12 Feasibility Review.

13 (i) LANDLORD Reports. Except as stated in paragraph
14 1E above, LANDLORD makes no covenants or warranties respecting
15 the condition of the soil or subsoil of the Premises.
16 LANDLORD shall provide TENANT with a copy of all reports,
17 data, surveys or other documents in the possession or control
18 of LANDLORD concerning the Premises including the
19 environmental condition of the Premises or the presence of
20 Hazardous Materials on or under the Premises.

21 (ii) Results of Feasibility Review. If TENANT,
22 based upon the Feasibility Review, determines in its sole
23 discretion that the Premises are not suitable for the
24 construction and development of the Project, then and in that
25 event, TENANT shall give LANDLORD written notice of its
26 decision. In the event TENANT so notifies LANDLORD, and
27 except for the indemnification obligation of TENANT in
28 connection with the Feasibility Review, this Lease shall

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1 terminate (unless the reason for termination is an incident of
2 noncompliance with the Environmental Standards or the
3 Environmental Compliance Program, in which case paragraph
4 5(C)(2)(c)(ii) shall control) and the parties shall be
5 released from their respective obligations hereunder.

6 (b) Financing. TENANT shall have sufficient equity
7 capital or shall have obtained a firm and binding commitment
8 for equity capital and/or debt financing sufficient to enable
9 TENANT to construct, develop and operate the Project in
10 accordance with the requirements of this Lease.

11 (c) Landscape Area Use Entitlements. The land use
12 entitlements and other regulatory controls affecting the use
13 and occupancy of the Premises must be such to permit the
14 construction and operation of the Project thereon, without
15 unacceptable conditions, restrictions or regulations. Zoning
16 or land use controls are not complete until there can be no
17 further reconsideration, contest or appeal. Prior to (or
18 concurrently with) the execution (or effectiveness) of this
19 Lease, TENANT shall have obtained all building permits
20 required to commence construction of the Project.

21 (d) Approvals. All public and other authorities in
22 addition to the City of Long Beach having jurisdiction over
23 any aspect of the development of the Project and the
24 Improvements shall have issued and approved, to the extent
25 required, all site plan approvals, parcel maps, subdivision
26 maps, environmental approvals, permits (inclusive of storm
27 water discharge permits, building permits and sign permits),
28 sewer and water connections and extensions, variances,

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1 conditional use permits, building permits and all other
2 permits or approvals necessary to permit development of the
3 Project in accordance with Plans, together with the
4 Improvements in the manner depicted on the Scope of
5 Development approved by the LANDLORD, all of which are final,
6 unappealable and complete and are without conditions,
7 restrictions or regulations unacceptable to TENANT.

8 (e) Title to Premises. The Premises shall not be
9 subject to any previously known or unknown recorded or
10 unrecorded encumbrances, conditions, restrictions, covenants,
11 easements or rights of possession or use revealed by the
12 Survey or by inspection of the Premises that are not approved
13 or waived by TENANT in its sole discretion.

14 (f) Landlord Approval. LANDLORD shall have
15 approved the Scope of Development and the Plans.

16 (g) Title Insurance. Title Company shall have
17 issued and delivered to TENANT an extended coverage ALTA
18 leasehold title policy Form B-1970 (with endorsements
19 requested by TENANT) ("Title Policy") in an amount
20 satisfactory to TENANT and its lender to insure the value of
21 the Project (with such reinsurance as TENANT and its lender
22 may reasonably require), or have delivered to TENANT a written
23 commitment to issue and deliver the Title Policy required by
24 this Lease. LANDLORD shall pay the CLTA portion of the Title
25 Policy, and TENANT shall pay the cost of extended coverage and
26 endorsements.

27 (h) LANDLORD shall have terminated the Lease
28 ("Skylands Lease") dated as of December 21, 1995, between

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1 LANDLORD and Skylands Company ("Skylands") covering
2 approximately 5.45 acres of the Premises ("Skylands Parcel"),
3 and Skylands shall have vacated the Skylands Parcel. Any
4 buildings, structures or other improvements ("Skylands
5 Improvements") shall either have been removed by Skylands or
6 LANDLORD shall have provided TENANT with written assurances
7 that the Skylands Improvements may be removed by TENANT
8 without any liability on the part of TENANT to Skylands.
9 Notice of termination of the Skylands Lease was mailed by
10 LANDLORD to Skylands on January 16, 1997, and the Skylands
11 Lease will terminate on July 16, 1997 (the "Termination
12 Date"). Notwithstanding the foregoing, TENANT acknowledges
13 that the Skylands Lease provides that Skylands shall have
14 ninety (90) days after the Termination Date to remove the
15 Skylands Improvements. As a result, TENANT understands and
16 agrees that notwithstanding satisfaction of all other LANDLORD
17 or TENANT conditions prior to November 15, 1997, the Effective
18 Date may not occur prior to November 15, 1997, unless Skylands
19 agrees to either remove the Skylands Improvements or waives in
20 writing its right to do so prior to that date. LANDLORD
21 agrees to use its best efforts, including the filing of an
22 unlawful detainer action if necessary, to cause Skylands to
23 vacate the Skylands Parcel and remove the Skylands
24 Improvements as soon as possible prior to November 15, 1997.
25 Notwithstanding the foregoing, LANDLORD shall have no
26 liability to TENANT in the event Skylands does not surrender
27 possession of the Skylands Parcel and remove the Skylands
28 Improvements prior to November 15, 1997.

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1 D. EXTENSION OF EFFECTIVE DATE.

2 (1) Duties of Tenant. TENANT agrees to commence
3 and diligently pursue to completion satisfaction of all
4 conditions precedent to the effectiveness of this Lease.
5 TENANT acknowledges and agrees that its failure to commence
6 and diligently pursue to completion satisfaction of all
7 conditions precedent to the effectiveness of this Lease may
8 result in the loss of all funds expended by TENANT and that
9 LANDLORD shall be under no obligation to compensate or
10 otherwise reimburse TENANT. TENANT shall notify LANDLORD in
11 writing within twenty-one (21) days prior to the anticipated
12 Effective Date.

13 (2) Duties of Landlord. LANDLORD shall notify
14 TENANT in writing within ten (10) days prior to the scheduled
15 Effective Date whether or not all LANDLORD conditions have
16 been satisfied or will be waived by LANDLORD. If all LANDLORD
17 conditions are neither satisfied or waived prior to the
18 Effective Date, TENANT may extend the Effective Date under
19 subparagraph (3) below.

20 (3) Extension of Effective Date. TENANT may extend
21 the Effective Date for one hundred twenty (120) days
22 ("Extended Effective Date") if (i) the failure to satisfy all
23 conditions to the effectiveness of this Lease results from
24 reasons beyond TENANT's reasonable control, (ii) TENANT is
25 diligently attempting to satisfy the unsatisfied conditions,
26 or (iii) TENANT pays LANDLORD the sum of One Hundred Fifty
27 Dollars (\$150.00) per day ("Extension Consideration") between
28 the Effective Date and the Extended Effective Date if TENANT

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1 has not diligently pursued satisfaction of the LANDLORD and
2 TENANT conditions prior to the Effective Date. The Extension
3 Consideration shall be paid in full prior to the commencement
4 of the Term.

5 E. EFFECTIVENESS OF LEASE.

6 Until the conditions precedent to the effectiveness of
7 this Lease are satisfied or waived, and except for the right of
8 entry granted in connection with the Feasibility Review, this Lease
9 shall have no force or effect and TENANT shall have no right to
10 occupy the Premises. In the event that all conditions are not
11 satisfied or waived by the Effective Date, or the Extended
12 Effective Date in the event the Effective Date is extended, then
13 this Lease shall terminate and, except for the indemnification
14 obligations of TENANT in connection with the Feasibility Review,
15 the parties shall be released from their respective obligations
16 hereunder.

17
18 4. RENT

19 A. MONTHLY RENT.

20 (1) Premises. The monthly rent ("Rent") for the
21 Premises shall be as follows:

22 (a) For the eighteen (18) month period immediately
23 following the Effective Date, the sum of Four Thousand Five
24 Hundred Dollars (\$4,500.00) per month, in advance on the first
25 day of each calendar month;

26 (b) From the nineteenth (19th) month of the Term
27 and continuing through the third anniversary of the Effective
28 Date, the sum of Seven Thousand Four Hundred Dollars

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1 (\$7,400.00) per month, in advance on the first day of each
2 month;

3 (c) For the twelve (12) month period comprising the
4 fourth lease year, the sum of Nine Thousand One Hundred
5 Dollars (\$9,100.00) per month, in advance on the first day of
6 each month; and

7 (d) For the twelve (12) month period commencing on
8 the first day of the fifth year following the Effective Date,
9 the sum of Fifteen Thousand Five Hundred Sixty-Four Dollars
10 16/100 (\$15,564.16) per month, in advance on the first day of
11 each month.

12 (2) Option Premises. In the event TENANT validly
13 and in a timely manner exercises the Option, then Rent for the
14 Option Premises shall be as follows:

15 (a) For the eighteen (18) month period immediately
16 following exercise of the Option, the sum of One Thousand One
17 Hundred Fifty-Four Dollars 63/100 (\$1,154.63) per month in
18 advance on the first day of each calendar month;

19 (b) From the nineteenth month immediately following
20 exercise of the Option and continuing through the third
21 anniversary of the exercise of the Adjacent Premises Option,
22 the sum of One Thousand Nine Hundred Two Dollars 70/100
23 (\$1,902.70) per month in advance on the first day of each
24 month;

25 (c) For the twelve-month period comprising the
26 fourth year immediately following exercise of the Option, the
27 sum of Two Thousand Five Hundred Sixty-Nine Dollars 46/100
28 (\$2,569.46) per month, in advance on the first day of each

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1 month; and

2 (d) For the twelve month period commencing on the
3 first day of the fifth year immediately following exercise of
4 the Option, the sum of Two Thousand Seven Hundred Forty-Eight
5 Dollars 35/100 (\$2,748.35) per month, in advance on the first
6 day of each month.

7 (3) Adjacent Premises Option. In the event TENANT
8 validly and in a timely manner exercises the Adjacent Premises
9 Option, then Rent for the Adjacent Premises shall be as
10 follows:

11 (a) For the eighteen (18) month period
12 immediately following exercise of the Adjacent Premises
13 Option, the sum of Two Thousand and Seven Hundred Eighty-Seven
14 Dollars 61/100 (\$2,787.61) per month.

15 (b) From the nineteenth month immediately
16 following exercise of the Adjacent Premises Option and
17 continuing through the third anniversary of the exercise of
18 the Option, the sum of Four Thousand Five Hundred Ninety-Three
19 Dollars 66/100 (\$4,593.66) per month in advance on the first
20 day of each month;

21 (c) For the twelve-month period commencing on
22 the first day of the fourth year immediately following
23 exercise of the Adjacent Premises Option, as the sum of Six
24 Thousand Two Hundred Three Dollars 41/100 (\$6,203.41) per
25 month, in advance on the first day of each month.

26 (d) For the twelve month period commencing on
27 the first day of the fifth year immediately following exercise
28 of the Adjacent Premises Option, the sum of Six Thousand Six

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1 Hundred Thirty-Five Dollars 29/100 (\$6,635.29) per month, in
2 advance on the first day of each month.

3 B. ADJUSTED RENT

4 (1) Rent for the Premises (and the Adjusted Rent
5 defined below), shall be adjusted as of the first day of each
6 lease year ("Adjustment Date") commencing on the first day of
7 the sixth lease year following the Effective Date. by
8 comparing the Consumer Price Index (CPI) for Los Angeles -
9 Anaheim Riverside (1982 - 84 = 100) for all Urban Consumers -
10 All Items, promulgated by the Bureau of Labor Statistics of
11 the U.S. Department of Labor, or its successor in function
12 ("Index"), which is published nearest the Adjustment Date
13 ("Current Index") with the Index published nearest January 1,
14 2002 ("Beginning Index"). The term "lease year" shall mean
15 each twelve (12) consecutive calendar month period during the
16 Term or Extended Term, commencing on the Effective Date. Rent
17 for the then-current lease year shall be adjusted by
18 multiplying Rent by a fraction, the numerator of which is the
19 Current Index and denominator of which is the Beginning Index;
20 provided, in no event shall an increase in Rent exceed five
21 (5%) percent, nor shall the decrease in Rent be more than two
22 (2%) percent of Rent (or Adjusted Rent) paid in the previous
23 lease year.

24 (2) Rent for the Option Premises and the Adjacent
25 Premises shall be similarly adjusted on the Adjustment Date
26 commencing on the first day of the sixth lease year following
27 exercise of the Option and Adjacent Premises Option,
28 respectively.

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1 (3) On the tenth (10th) anniversary of the
2 Effective Date upon at least a 120-day prior written notice,
3 either party may request that Rent for the Premises (including
4 the Option and Adjacent Premises) for the following year be
5 based on an appraisal of the then fair market rental value in
6 accordance with subparagraph C, D, E and F below. When this
7 process is utilized, it establishes the rental ("Adjusted
8 Rent") for the Premises for the eleventh (11th) year until the
9 end of the twentieth year, when either party may again invoke
10 this appraisal process. The automatic annual CPI rent
11 adjustments shall continue to be utilized through the Term.

12 (4) The Adjusted Rent shall be based on the
13 prevailing rate of return on the fair market value of the
14 Premises. The fair market land value and prevailing rate of
15 return shall be established by agreement between the LANDLORD
16 and TENANT. All appraisals as described herein shall be based
17 on valuation of the Premises without improvements.

18 (5) Should the parties not reach agreement, then
19 Adjusted Rent shall be determined by appraisals prepared by
20 both parties. In determining fair market rental, the appraisal
21 shall establish the fair market value of the Premises and the
22 rate of return on comparable properties at the time of the
23 appraisal. The rate of return shall be eight (8%) percent
24 provided, however, that in determining fair market rental, the
25 appraisers will be instructed to take into account the eight
26 (8%) percent yield provided herein. To the extent the eight
27 (8%) percent yield is below the then current market return,
28 the Premises will increase in value to compensate for the

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1 yield. If eight (8%) percent represents as above market rate
2 of return, the value of the Premises will be discounted. The
3 appraisers must recognize the terms and conditions of the
4 Lease, similar usage and facilities, and market conditions
5 that prevail as of the date of land valuation. All appraisals
6 shall be in the form of written reports supported by facts and
7 analysis.

8 (6) The two appraisers shall be appointed within
9 ten (10) days after either party declares an impasse to exist
10 in rental renegotiations. One appraiser shall be appointed by
11 the LANDLORD at its expense and one appraiser shall be
12 appointed by TENANT at its expense. Both appraisers shall be
13 California State Certified Real Estate Appraisers. Both
14 appraisals must be submitted to the respective parties within
15 forty-five (45) days after the appointment. The two appraisals
16 shall be averaged to establish the new rental unless the
17 higher of the two appraisals exceeds the lesser by ten percent
18 (10%) or more, in which case the two appraisers shall appoint
19 a third appraiser, also a California State Certified Real
20 Estate Appraiser. The third appraiser shall be appointed
21 within thirty (30) days after determination that the higher
22 appraisal exceeds the lesser by more than ten percent (10%).
23 The two appraisers shall make a good faith effort to agree;
24 however, should the two appraisers not agree on a third
25 appraiser, the third appraiser shall be appointed from a list
26 of appraisers from the Appraisal Institute of MAI appraisers
27 in Los Angeles and Orange Counties having experience
28 appraising airport properties. Within five working days of

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1 obtaining this list the two appraisers shall strike names from
2 that list, in turn (LANDLORD's appraiser to strike the first
3 name), until one (1) name appears. That person shall be the
4 third appraiser. The cost of such third appraiser shall be
5 shared equally by the parties to this Lease. The third
6 appraiser shall, within forty-five (45) days after
7 appointment, determine the fair market rental value of the
8 Premises. The Adjusted Rent shall be based upon the fair
9 market rental value determined by LANDLORD's and TENANT's
10 appraisers which is closest to the fair market rental value of
11 the Premises as determined by the third appraiser. LANDLORD'S
12 appraiser and TENANT's appraiser may submit to the third
13 appraiser such supporting data and other information which
14 each, in its own discretion, feels may be relevant under the
15 circumstances.

16 (7) The appraisers selected by the parties shall
17 have their principal place of business in Los Angeles County
18 or Orange County, California, and shall not have a financial,
19 family, business or other interest in either LANDLORD or
20 TENANT. In addition, appraisers shall have a minimum of 10
21 years experience in appraisals of airport related facilities.
22 The appraisers shall act in good faith, the cost of the
23 aforementioned third appraiser selected by the appraisers of
24 the parties shall be divided equally between LANDLORD and
25 TENANT. Except as provided in paragraph (G) below during the
26 renegotiation period, TENANT shall continue to pay the monthly
27 rental at the annual rate, as adjusted for CPI, established
28 for the preceding period.

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1 (8) Failure by LANDLORD or TENANT, or their
2 respective appraisers, to strictly comply with the procedure
3 contained in subparagraphs (5) and (6) above (including
4 meeting all deadlines) shall, upon three days written notice,
5 allow the complying party's appraised rental value to be
6 effective immediately thereafter until the entire appraisal
7 process is properly completed. The rental paid after such
8 three day notice shall be adjusted and, if necessary, refunded
9 within sixty (60) days after the actual rate is determined.

10 (9) TENANT shall pay the current Adjusted Rent
11 until such time as Adjusted Rent is recalculated in accordance
12 with this subparagraph (B), provided that TENANT shall pay the
13 difference, if any, between that amount and recalculated
14 Adjusted Rent in full within sixty (60) days of the
15 determination of new Adjusted Rent.

16 (10) Upon determining Adjusted Rent (whether by
17 agreement or as a result of arbitration), the parties shall
18 promptly execute a memorandum agreement setting forth Adjusted
19 Rent for the next ten (10) year portion of the Term, which
20 agreement shall become effective as of the 10th or 20th
21 anniversary date of the Effective Date, as the case may be.

22 C. RENT CREDITS

23 (1) Remediation Credit. The costs incurred by
24 TENANT to remediate an incident of noncompliance ("Remediation
25 Credit") shall be applied as follows:

26 (a) Interest shall accrue on the amount of the
27 Remediation Credit at the rate of eight (8%) percent per annum
28 until the Remediation Credit is liquidated.

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1 (b) Commencing in the nineteenth (19th) month of the
2 Term and continuing until the Remediation Credit is
3 liquidated, the Remediation Credit shall be applied to offset
4 Rent otherwise payable in excess of Four Thousand Five Hundred
5 Dollars (\$4,500.00) per month.

6 (2) Retail Sales Tax Credit.

7 (a) Definitions. The following terms shall have
8 the meanings indicated for purposes of the Sales Tax Credit:

9 (i) "California Sales and Use Tax Law" shall mean
10 Part 1 of Division 2 of the California Revenue and Taxation
11 Code commencing at Section 6001, or any successor law thereto.

12 (ii) "Completion Date" shall mean the date of
13 issuance of the first certificate of occupancy for the Project
14 or portion thereof.

15 (iii) "Event of Default" means any event so
16 designated in this Lease.

17 (iv) "Excess Sales Tax Increment" shall mean, for a
18 given Fiscal Year, the remainder resulting from the following
19 computation: Sales Tax Increment for that Fiscal Year, less
20 the sum of the following: (a) Penalty Assessments for that
21 Fiscal Year (to the extent included in Sales Tax Increment),
22 and (b) \$50,000. In any calendar quarter or Fiscal Year, or
23 portion thereof, in which the Lease is in effect, the \$50,000
24 threshold shall be prorated on a per diem bases using the
25 actual number of days elapsed and the actual number of days in
26 that calendar quarter or Fiscal Year.

27 (v) "Fiscal Year" refers to the fiscal year of the
28 City.

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1 (vi) "Improvements" refers to all works of
2 improvement constructed or to be constructed on the Premises
3 in connection with the Project.

4 (vii) "Penalty Assessments" shall mean penalties,
5 assessments, collection costs and other costs, fees or charges
6 resulting from late or delinquent payment of Sales Taxes and
7 which are levied, assessed or otherwise collected from the
8 business on the site owing or obligated to pay Sales Tax.

9 (viii) "Sales Tax" means all taxes levied under the
10 authority of the California Sales and Use Tax Law, Part 1 of
11 Division 2 of the California Revenue and Taxation Code
12 commencing at Section 6001, or any successor law thereto.

13 (ix) "Sales Tax Increment" shall mean that portion
14 of the Sales Taxes, if any, levied by City upon taxable sales
15 and uses on the Premises attributable to the operations of
16 TENANT after the Completion Date pursuant to an ordinance
17 adopted by City, which Sales Taxes, when collected, are
18 allocated and paid to, and actually received by, City, less
19 any amounts received earlier by City which are to be refunded
20 to TENANT because of an overpayment of Sales Taxes. Sales Tax
21 Increment shall not include Sales Taxes generated by an entity
22 other than TENANT, Penalty Assessments, any Sales Taxes levied
23 by, collected for or allocated to the State of California, the
24 County of Los Angeles, a district or any other entity, or any
25 funds paid, granted or allocated to City by the State of
26 California, the County of Los Angeles, a district or any other
27 entity, notwithstanding that such funds received by City are
28 derived or measured by such other entity based upon Sales

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1 Taxes.

2 (b) Retail Sales Tax Credit. So long as TENANT is
3 not in default under this Lease, and after City (in its
4 municipal capacity) has received proof of Sales Taxes owed and
5 paid by TENANT, TENANT shall receive a credit ("Sales Tax
6 Credit") against Rent (and Adjusted Rent) in an amount as
7 calculated in this subparagraph (C)(2) and for a term not to
8 exceed fifteen (15) years. For each fiscal year during the
9 Term or Extended Term, the Sales Tax Credit shall equal fifty
10 (50%) percent of the Excess Sales Tax Increment. The Sales
11 Tax Credit shall terminate upon the earlier of: (a) such time
12 as the cumulative total of the Sales Tax Credit equals the
13 cost of construction of the improvements; or (b) the fifteenth
14 (15th) anniversary of the Completion Date.

15 (i) No Obligation Until Sales Tax Increment
16 Received. TENANT shall have no right to receive the Sales Tax
17 Credit unless and until LANDLORD has confirmed that Sales Tax
18 Increment in the amount of Fifty Thousand Dollars (\$50,000) in
19 a Fiscal Year has been received by City. TENANT shall provide
20 LANDLORD with copies of the quarterly (or, if applicable,
21 monthly) Board of Equalization reports filed by it together
22 with a copy of its canceled check or other proof of payment of
23 Sales Taxes reasonably satisfactory to LANDLORD. In order to
24 allow LANDLORD to confirm TENANT's payment of the sales tax,
25 if TENANT opens a facility in the City in a location other
26 than that of the Project, it shall obtain separate Board of
27 Equalization tax identification numbers for reporting Sales
28 Tax generated by its business of the Project and for reporting

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1 sales tax generated by its business in the City at a location
2 other than that of the Project. In any event, no Sales Tax
3 Credit shall be available until the Sales Tax payment by
4 TENANT upon which the Sales Tax Credit is calculated has been
5 confirmed.

6 (ii) Principles Regarding Calculation of Sales Tax
7 Credit. The calculation and payment of the Sales Tax Credit
8 shall be performed in light of the following principles:

9 (a) Sales Tax Credit shall be applied
10 calculated quarterly in arrears, and shall be applied to the
11 Fiscal Year calendar quarter in which the Sales Tax Increment
12 was generated from the Project.

13 (b) The Fifty Thousand Dollars (\$50,000)
14 threshold of Sales Tax Increment to be paid per annum to City
15 shall be calculated, and adjustments shall be made, on a
16 Fiscal Year basis.

17 (c) The Fifty Thousand Dollars (\$50,000)
18 threshold and other adjustments for any period which is less
19 than a calendar quarter or Fiscal Year shall be prorated on a
20 per diem basis using the actual number of days elapsed and the
21 actual number of days in that Fiscal Year.

22 (d) In any Fiscal Year, no Sales Tax Credit
23 shall be available on account of the first Fifty Thousand
24 Dollars (\$50,000) of Sales Tax Increment, or in the instance
25 of a partial Fiscal Year, on account of an initial amount
26 calculated by multiplying Fifty Thousand Dollars (\$50,000)
27 times a fraction, the numerator of which is the actual number
28 of days in that portion of the Fiscal Year, and the

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1 denominator of which is the actual number of days in that
2 Fiscal Year.

3 (e) In no event shall the total cumulative
4 Sales Tax Credit amount greater than the cost of construction
5 of the Improvements. No interest shall accumulate on the cost
6 incurred by TENANT in constructing the Improvements.

7
8 D. LATE PAYMENT OF RENT

9 Payment of Rent hereunder shall be considered delinquent
10 on the fifth (5th) day of the month following the date due. TENANT
11 understands and agrees that LANDLORD shall not be obligated to bill
12 or otherwise advise TENANT of the date when rental charges are due
13 and payable. If Rent or other monies required to be paid to
14 LANDLORD under of this Lease is not paid prior to delinquency, a
15 late fee ("Late Fee") of Forty-Five (\$45.00) Dollars per day shall
16 be added to the unpaid amount due and the total sum shall become
17 immediately due and payable to LANDLORD, provided, that payments
18 not made within sixty (60) days from the date first due shall be
19 deemed to be in default. The Late Fee shall be automatically
20 increased at the times and in the same percentage as Rent (or
21 Adjusted Rent) is increased under paragraph 4(B) above.

22
23 5. CONSTRUCTION AND BONDING

24 A. REQUIREMENT TO CONSTRUCT

25 TENANT shall commence construction of the Project within
26 thirty (30) days of the Effective Date. Construction of the
27 Project shall be completed within eighteen (18) months following
28 commencement of construction. For purposes of this Lease,

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1 construction shall be deemed to have commenced on the issuance of
2 a foundation permit. Construction of the Project shall be deemed
3 completed on the date of issuance of a Certificate of Occupancy for
4 the Project.

5 B. COST OF CONSTRUCTION

6 The entire cost and expense of developing and
7 constructing the Project in accordance with the approved Site Plan
8 and any off-site improvements, including strengthening or
9 construction of taxiways and taxilanes to permit TENANT's intended
10 use of the Premises including large aircraft, shall be borne by
11 TENANT. TENANT shall protect, defend, indemnify and hold LANDLORD
12 harmless from any liability whatsoever in connection with the
13 development and construction of the Project and the off-site
14 Improvements. Except as set forth in this paragraph 6, TENANT
15 shall not construct, install, modify, paint or otherwise change any
16 structures, facilities or exterior signs on the Premises without
17 prior written approval of Airport Manager. Any development of the
18 Premises shall be in accordance with the Site Plan. The Site Plan
19 may be modified subject to approval of LANDLORD which approval will
20 not be unreasonably withheld. Except during construction of the
21 Project, TENANT shall not place upon the Premises any portable
22 buildings, trailers, or other like portable structures without
23 prior written approval of the Airport Manager.

24 C. ENVIRONMENTAL MATTERS

25 (1) Definitions.

26 For the purposes of this Lease:

27 (a) "Environmental Law(s)" means the
28 Comprehensive Environmental Response, Compensation, and

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1 Liability Act of 1980 as amended, 42 U.S.C. Sections 9601 et
2 seq., the Resource Conservation and Recovery Act of 1976, 42
3 U.S.C. Sections 2601 et seq., the Toxic Substances Control
4 Act, 15 U.S.C. Sections 2601 et seq., the Hazardous Materials
5 Transportation Act, 49 U.S.C. 1801 et seq., the Clean Water
6 Act, 33 U.S.C. Sections 1251 et seq., the Carpenter-Presley-
7 Tanner Hazardous Substances Account Act, California Health &
8 Safety Code Sections 25300, et seq., the Porter-Cologne Water
9 Quality Control Act, California Water Code Sections 13000 et
10 seq., and Title 23 Division 3, Chapter 16 of the California
11 Code of Regulations concerning underground storage tanks as
12 said laws are supplemented or amended, the regulations
13 promulgated pursuant to said laws and any other federal, state
14 or local law, statute, rule, regulation or ordinance which
15 regulates or proscribes the use, storage, disposal, presence,
16 cleanup, transportation or Release or threatened Release into
17 the environment of Hazardous Material including, but not
18 limited to Title 23, Division 3 of the California Code of
19 Regulations concerning underground storage tanks.

20 (b) "Hazardous Material" means any substance
21 which is (i) designated, defined, classified or regulated as
22 a hazardous substance, hazardous material, hazardous waste,
23 pollutant or contaminant under any Environmental Law, as
24 currently in effect or as hereafter amended or enacted, (ii)
25 a petroleum hydrocarbon, including crude or waste oil or any
26 fraction thereof and all petroleum products and petroleum by-
27 products, (iii) PCBs, (iv) asbestos, (v) flammable explosives,
28 (vi) infectious materials or (vii) radioactive materials.

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1 (c) "Release" means any spilling, leaking,
2 pumping, pouring, emitting, discharging, injecting, escaping,
3 leaching, dumping or disposing into the environment of any
4 Hazardous Material (including the abandonment or discarding of
5 barrels, containers, and other receptacles containing any
6 Hazardous Material).

7 (2) Compliance.

8 (a) Environmental Laws. TENANT shall comply with
9 all applicable Environmental Laws related to TENANT's use or
10 occupancy of the Premises including but not limited to any
11 laws regulating the use, storage, generation or disposal of
12 Hazardous Materials ("Environmental Standards"). TENANT shall
13 establish, maintain and observe a program of compliance with
14 all applicable Environmental Standards ("Environmental
15 Compliance Program"). On or before commencement of business
16 on the Premises, TENANT shall submit its Environmental
17 Compliance Program, and any revision thereto, to Airport
18 Manager for review and approval; provided, however, such
19 review and approval shall not relieve TENANT of its
20 independent obligation to comply with Environmental
21 Standards. TENANT shall monitor its compliance with
22 Environmental Standards and immediately halt and correct any
23 incident of noncompliance. On August 1 of each lease year
24 during the Term of this Lease, TENANT shall submit either a
25 certificate that the Environmental Compliance Program conforms
26 with all applicable Environmental Standards or a revised
27 Environmental Compliance Program conforming to the applicable
28 Environmental Standards.

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1 (b) Storage of Hazardous Materials. TENANT shall
2 not cause or permit any Hazardous Material to be brought upon,
3 kept or used in or about the Premises by TENANT, its agents,
4 employees, contractors or invitees in a manner or for a
5 purpose in violation of any Environmental Law.

6 (c) Noncompliance.

7 (i) Incident of Noncompliance. In the event
8 of an incident of noncompliance with the Environmental
9 Standards or the Environmental Compliance Program, including
10 a regulated Release, TENANT, at its cost, shall: (a) give
11 LANDLORD prompt notice of the incident, providing as much
12 detail as possible; (b) as soon as possible, but no later than
13 seventy-two (72) hours, after discovery of an incident of
14 noncompliance submit a written report to LANDLORD,
15 identifying, to the extent possible, the source or cause of
16 the noncompliance and the method or action required to correct
17 the problem; (c) cooperate with LANDLORD or its designated
18 agents or contractors with respect to the investigation of
19 such problem; and (d) promptly commence remediation of the
20 incident of non-compliance in accordance with applicable
21 Environmental Standards and the Environmental Compliance
22 Program and diligently prosecute the remediation plan to
23 completion. The provisions of this subparagraph (c) shall
24 apply even if the incident of non-compliance is discovered for
25 the first time during construction of the Project, does not
26 result from TENANT's operations on the Premises, and was not
27 discovered during the Feasibility Review.

28 (ii) Termination of Lease. Notwithstanding the

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1 provisions of subparagraph (i) above to the contrary, in the
2 event the estimated cost of remediation of an incident of
3 noncompliance exceeds Three Hundred Thousand Dollars
4 (\$300,000) ("Remediation Limit") and the incident of
5 noncompliance was (i) discovered during the Feasibility
6 Review, or (ii) discovered for the first time during
7 construction of the Project and, in either event, TENANT can
8 establish the incident of noncompliance was not caused by
9 TENANT, either party may terminate this Lease by giving
10 written notice of its decision to the other party.
11 Notwithstanding the foregoing, this Lease shall not terminate
12 if TENANT elects in writing to be responsible for and pays the
13 cost of remediation in excess of the Remediation Limit. In
14 the event this Lease is terminated, the parties shall be
15 released from their respective obligations hereunder, except
16 for the indemnification obligation of TENANT in connection
17 with the Feasibility Review.

18 (iii) Rent Credit. In the event the Lease
19 is not terminated pursuant to subparagraph (ii) above, TENANT
20 shall be entitled to and shall receive a credit against Rent
21 ("Rent Credit") in an amount equal to the costs incurred by
22 TENANT in remediation of the incident of noncompliance,
23 provided TENANT can establish that the incident was not caused
24 by TENANT and the incident of noncompliance is discovered
25 during the Feasibility Review or construction of the Project.
26 The Rent Credit shall be applied to offset Rent in accordance
27 with the provisions of paragraph 4(C) above, provided that
28 prior to commencing remediation of the incident of

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1 noncompliance TENANT shall submit to LANDLORD a written
2 estimate of the cost of the remediation and the time to
3 complete the same, both of which must be approved in advance
4 by LANDLORD.

5 (d) Notice. For purposes of this paragraph 5(C),
6 notice shall be given to the Airport Manager. TENANT shall
7 give such notice promptly following an incident of
8 environmental noncompliance in person, by telephone or by
9 facsimile followed by written notice in accordance with
10 paragraph 18(L) below.

11 (e) Costs. TENANT shall be liable for all costs,
12 expenses, losses, damages, actions, claims, cleanup costs,
13 penalties, assessments or fines arising from TENANT's failure
14 to comply with the Environmental Standards and the
15 Environmental Compliance Program including, but not limited
16 to, a failure to comply with any reporting requirements.

17 (3) Inspection Rights. LANDLORD shall have the
18 right to conduct periodic inspections and audits of TENANT's
19 compliance with the Environmental Compliance Program and
20 management of Hazardous Materials on the Premises. TENANT
21 shall be given reasonable notice of, and shall have the right
22 to have a representative present during, any such inspection
23 or audit. If LANDLORD is required to notify any agency of any
24 violations of Environmental Standards discovered during such
25 audit, TENANT shall be given concurrent notice. LANDLORD
26 acknowledges that it is not the intent of this paragraph 5 (C)
27 to prohibit TENANT from conducting its operations. TENANT may
28 conduct its operations according to the custom of the industry

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1 and all applicable laws so long as the use or presence of
2 Hazardous Materials is strictly and properly handled,
3 monitored and disposed of according to all Environmental
4 Standards, the Environmental Compliance Program, and the terms
5 of this Lease.

6 (4) Environmental Indemnification. TENANT at its
7 sole cost and expense hereby agrees to indemnify, defend (with
8 counsel acceptable to LANDLORD), protect and hold harmless
9 LANDLORD from and against any and all claims, demands, losses,
10 damages, liabilities, fines, penalties, charges,
11 administrative and judicial proceedings, orders, judgments,
12 remedial action and compliance requirements, enforcement and
13 cleanup actions of any kind, and all costs and expenses
14 incurred in connection therewith, including, without
15 limitation, actual attorneys' fees and costs and expenses of
16 all experts and consultants (collectively, the "Losses"),
17 arising directly or indirectly, in whole or in part, out of
18 (i) a Release of on, under or from the Premises after the date
19 of this Lease from any source, and (ii) the use, generation,
20 manufacturing, production, handling, storage, transport,
21 discharge or disposal of any Hazardous Material on or after
22 the date of this Lease from, under or about the Premises.
23 TENANT's obligations pursuant to this subparagraph shall
24 survive the termination or earlier expiration of this Lease.

25 D. BONDING.

26 (1) Completion Bond. No construction shall be
27 commenced on the Premises by TENANT until TENANT has obtained
28 the written approval of the Airport Manager and has furnished

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1 LANDLORD with a Completion Bond in the full amount of the cost
2 of the Project and Improvements. In lieu of this Completion
3 Bond, LANDLORD will accept the completion and payment bonds
4 supplied by TENANT's contractor or contractors, provided said
5 bonds are issued jointly to TENANT and LANDLORD. Said bonds
6 must be issued by a company qualified to do business in the
7 State of California and acceptable to LANDLORD. Said bonds
8 shall be in a form acceptable to LANDLORD and shall insure
9 faithful and full observance and performance by TENANT of all
10 the terms, conditions, covenants, and agreements relating to
11 construction of improvements upon the Premises. The
12 Completion Bond shall be in the amount and provide a penalty
13 of one hundred percent (100%) of the value of the Project and
14 Improvements.

15 (2) Payment Bond. On or before the date of
16 commencement of construction of any building, structure or
17 other improvements on the Premises, TENANT shall file or cause
18 to be filed with LANDLORD, a Payment Bond executed by TENANT
19 or TENANT's contractor and by a surety authorized to do
20 business in the State of California as surety guaranteeing the
21 construction of the building improvements, structures or other
22 improvements to be constructed on the Premises. If said bond
23 is executed by the TENANT's contractor, it shall name the
24 TENANT and the LANDLORD as joint obligees. The Payment Bond
25 shall be in the amount and provide a penalty of one hundred
26 percent (100%) of the full, estimated cost of construction of
27 the Project and Improvements.

28 (3) Term. The term of both bonds shall commence on

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1 or before the date of filing with LANDLORD. The Completion
2 Bond shall remain in effect until the date of completion of
3 the work to the reasonable satisfaction of LANDLORD's City
4 Manager or his designate. The Payment Bond shall remain in
5 effect until the expiration of the period of filing a claim
6 of lien as provided in Title 15 of Part 4 of Division 3 of the
7 California Civil Code, and as hereafter amended, or if a claim
8 of lien is filed, the expiration of the period for filing an
9 action to foreclose such lien, or until the Premises are freed
10 from the effect of such claim of lien and any action brought
11 to foreclose such lien pursuant to the provisions of said
12 Title 15 of Part 4 or the lien is otherwise discharged.

13 (4) Substitute for Bonds. In lieu of the Payment
14 Bond and Completion Bond required in subsections (1) and (2)
15 hereof, TENANT may furnish cash, assignment of account, time
16 certificate of deposit, or letter of credit.

17 E. FORCE MAJEURE

18 The time within which TENANT is obligated hereunder to
19 construct, repair or rebuild any building or other improvement,
20 or cure any default on the part of TENANT hereunder shall be
21 extended for a period of time equal in duration to, and performance
22 in the meantime shall be excused on account of and for and during
23 the period of time equal in duration to any delay caused by
24 strikes, threats of strikes, lockouts, war, threats of war,
25 insurrection, invasion, acts of God, calamities, violent action of
26 the elements, fire action or regulation of any governmental agency,
27 law or ordinance, impracticability of obtaining materials, or other
28 things beyond the reasonable control of TENANT.

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1 F. ZONING

2 The Premises are presently zoned PD-2.

3 G. PROPERTY OF CITY

4 Any buildings, structures or other improvements
5 constructed or placed on the Premises by TENANT shall remain the
6 property of TENANT unless TENANT otherwise requests and such
7 request is approved in writing by LANDLORD. Said buildings,
8 structures and other improvements, less paving may, at the option
9 of TENANT, be removed by TENANT within ninety (90) days following
10 expiration or termination of this Lease. Any improvements
11 remaining on the Premises after ninety (90) days following
12 expiration or termination of this Lease shall become the property
13 of LANDLORD without compensation therefor as provided in
14 subparagraph I below.

15 H. LIENS

16 (1) Subject to TENANT's right to contest the same as
17 hereinafter provided, TENANT agrees that it will pay as
18 soon as due all mechanics, laborers, materialmen, contractors,
19 subcontractors or similar charges, and all other charges of
20 whatever nature which may become due, attached to or payable
21 on said property or any part thereof or any building,
22 structure or other improvements thereon, from and after the
23 date as of which this Lease is executed. Nothing herein
24 contained shall in any respect make TENANT the agent of the
25 LANDLORD, or (except as otherwise specifically provided in
26 this Lease), authorize TENANT to do any act or to make any
27 contract encumbering or in any manner affecting the title or
28 rights of the LANDLORD in or to the Premises or in the

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1 improvements thereon.

2 (2) Before any structures or other
3 improvements, repairs or additions thereto, are
4 constructed or reconstructed upon the Premises, TENANT
5 shall serve written notice upon the LANDLORD's City
6 Manager in the manner specified in this Lease of
7 TENANT's intention to perform such work for the purpose
8 of enabling the LANDLORD to post notices of non-
9 responsibility under the provisions of Section 3094 of
10 the Civil Code of the State of California, or any other
11 similar notices which may be provided by law.

12 (3) If any such mechanics or other liens shall at
13 any time be filed against the Premises, TENANT shall cause the
14 same to be discharged of record within thirty (30) days after
15 the date of filing the same, or otherwise free the Premises
16 from the effect of such claim of lien and any action brought
17 to foreclose such lien, or TENANT shall promptly furnish to
18 the LANDLORD a bond in an amount and issued by a surety
19 company satisfactory to the LANDLORD securing the LANDLORD
20 against payment of such lien and against any and all loss or
21 damage whatsoever in any way arising from the failure of
22 TENANT to discharge such lien.

23 (4) Any contest by TENANT of any such liens shall be
24 made by TENANT in good faith and with due diligence and TENANT
25 shall fully pay and immediately discharge the amount of any
26 final judgment rendered against the LANDLORD or TENANT in any
27 litigation involving the enforcement of such liens or the
28 validity thereof.

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(5) In the event of TENANT's failure to discharge of record any such uncontested lien within said thirty (30) day period, as aforesaid, the LANDLORD may, but shall not be obliged to, pay the amount thereof, inclusive of any interest thereon and any costs assessed against TENANT in said litigation, or may discharge such lien by contesting its validity or by any other lawful means.

(6) Any amount paid by the LANDLORD for any of the aforesaid purposes, and all reasonable legal and other expenses of the LANDLORD, including reasonable counsel fees, in defending any such action or in connection with procuring the discharge of such lien, with all necessary disbursements in connection therewith, together with interest thereon at the rate provided by law from the date of payment, shall be repaid by TENANT to LANDLORD on demand.

I. IMPROVEMENTS TO BECOME PROPERTY OF LANDLORD

In the absence of a written agreement to the contrary or unless otherwise provided herein, the Project, exclusive of trade fixtures, constructed or placed within the Premises by TENANT must, upon completion, be free and clear of all liens, claims, or liability for labor and material and shall become the property of LANDLORD at the expiration of this Lease or upon earlier termination hereof without cost or obligation to LANDLORD, unless removed from the Premises by TENANT as provided in paragraph 5(G) above.

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6. OPERATION OF BUSINESS

A. OPERATION OF BUSINESS

TENANT, for itself, or through its subtenants shall, at a minimum, use and operate the Premises continuously during all usual business hours and on all such days as comparable business of like nature in the area are open for business in accordance with the provisions of this Lease relating to use. If the Premises are destroyed or partially condemned and this Lease remains in full force and effect, TENANT shall continue operation of its business at the Premises to the extent reasonably practicable as determined by good business judgment during any period of reconstruction.

B. AUTHORIZED REPRESENTATIVE

TENANT shall appoint in writing an authorized local agent duly empowered to make decisions on behalf of TENANT in all routine administrative and operational matters relating to the Premises who shall be available during normal business hours. TENANT shall notify the Airport Manager in writing of the name, address and telephone number of the said agent and shall supply therewith a copy of the writing appointing the agent. Said agent shall operate from and be available at an office located in Los Angeles or Orange County.

C. COMPLIANCE WITH LAW

No improvements or structures either permanent, temporary or portable, shall be erected, placed upon, operated or maintained on the Premises, nor shall business or any other activity be conducted or carried on, in, onto, or from the Premises in violation of the terms of this Lease or any duly adopted rules, regulations, orders, law, statute, bylaw, or ordinance of any

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1 governmental agency having jurisdiction thereover. The uses set
2 forth in paragraph 2 of this Lease are permitted under existing
3 laws and regulations.

4 D. AUDIT

5 LANDLORD, the City Auditor of the City and the City
6 Manager of the City, or their designated representatives, shall be
7 permitted to examine and review TENANT's records relevant to
8 determining compliance by TENANT with all terms, covenants and
9 conditions of this Lease at all reasonable times and with
10 reasonable prior notification. Such examinations and reviews shall
11 be conducted during TENANT's regular business hours in a manner
12 causing as little inconvenience as possible to TENANT.

13
14 7. INSURANCE

15 Concurrent with the execution of this Lease, and as a
16 condition of obtaining occupancy of the Premises, TENANT shall
17 provide evidence of the following types of insurance, each of which
18 shall be written by an insurer admitted in California or having a
19 minimum rating of or equivalent to A:III in Best's Insurance Guide:

20 A. Comprehensive general, aircraft and automobile
21 liability insurance, including contractual coverage, and, as may be
22 applicable to TENANT's operations, products and completed
23 operations, aircraft products, aircraft liability including
24 passengers, hangar keepers liability including aircraft in flight
25 and garage keepers legal liability. Said liability insurance shall
26 be in an amount not less than Five Million Dollars (\$5,000,000)
27 combined single limit and shall name City, its officials, employees
28 and agents as additional insureds with respect to liability arising

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1 from activities performed by or on behalf of TENANT. Said
2 insurance shall be primary insurance with respect to LANDLORD and
3 shall contain a cross liability endorsement.

4 B. "All Risk" property insurance, including builder's
5 risk protection during construction (including earthquake and
6 flood, if available, and from responsible carriers at reasonable
7 cost, and debris removal), in an amount sufficient to cover the
8 full replacement value of all buildings and structural improvements
9 erected on the Premises. LANDLORD shall be named as an insured
10 under a standard loss payee endorsement.

11 C. "All Risk" property insurance in an amount sufficient
12 to cover the full replacement value of TENANT's personal property,
13 improvements and equipment on the Premises.

14 D. Business interruption insurance providing that the
15 annual rent due LANDLORD shall be paid for a period of up to twelve
16 (12) months if the Premises are destroyed or rendered inaccessible.

17 E. Workers' Compensation insurance in an amount
18 required by law. TENANT agrees to obtain and furnish evidence to
19 City of the waiver of TENANT's Workers Compensation carrier of any
20 right of subrogation against the City.

21 F. Upon the execution of this Lease, TENANT shall
22 deliver to LANDLORD certificates of insurance with original
23 endorsements evidencing the coverage required by this Lease. The
24 certificates and endorsements shall be signed by a person
25 authorized by the insurer to bind coverage on its behalf. LANDLORD
26 reserves the right to require complete certified copies of all
27 policies at any time.

28 G. Said insurance shall contain an endorsement requiring

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1 thirty (30) days prior written notice from insurers to LANDLORD
2 before cancellation or change of coverage.

3 H. Said insurance may provide for such deductibles or
4 self insurance as may be acceptable to the City Manager or his
5 designee. In the event such insurance does provide for deductibles
6 or self-insurance, TENANT agrees that it will fully protect
7 LANDLORD, its officials, and employees in the same manner as these
8 interests would have been protected had a policy or policies of
9 commercial insurance been in effect. With respect to damage to
10 property, LANDLORD and TENANT hereby waive all rights of
11 subrogation, one against the other, but only to the extent that
12 collectible commercial insurance is available for said damage.

13 I. Not more frequently than every three (3) years, if in
14 the opinion of LANDLORD or of an insurance broker retained by
15 LANDLORD, the amount of the foregoing insurance coverages is not
16 adequate, TENANT shall increase the insurance coverage as
17 reasonably required by LANDLORD.

18 J. The procuring of said insurance shall not be
19 construed as a limitation on TENANT's liability or as full
20 performance on TENANT's part of the indemnification and hold
21 harmless provisions of this Lease; and TENANT understands and
22 agrees that, notwithstanding any insurance, TENANT's obligation to
23 defend, indemnify and hold LANDLORD, its officials and employees
24 harmless hereunder is for the full and total amount of any damage,
25 injuries, loss, expense, costs or liabilities caused by the
26 condition of the Premises or in any manner connected with or
27 attributed to the acts or omissions of TENANT, its officers,
28 agents, contractors, employees, subtenants, licensees, patrons or

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1 visitors, or the operations conducted by TENANT, or the TENANT's
2 use, misuse or neglect of the Premises.

3 K. Any modification or waiver of the insurance
4 requirements herein shall only be made with the written approval of
5 the City's Risk Manager or designee.

6 L. The insurance required by this paragraph 7 shall be
7 procured and maintained by TENANT at its sole cost during the term
8 of this Lease and any extension, renewal or holding over thereof.

9
10 8. ENCUMBRANCES

11 A. ASSIGNMENTS TO LENDERS.

12 During the term of this Lease, TENANT may assign for
13 security purposes only, or subject to the provisions of
14 subparagraph (D) of this paragraph 8 may encumber, TENANT's
15 interest under this Lease and the leasehold estate hereby created
16 to a lender on the security of the leasehold estate and in that
17 connection may perform any and all acts and execute any and all
18 instruments necessary or proper to consummate any loan transaction
19 and perfect the security therefor to be given such lender on the
20 security of the leasehold estate.

21 B. LENDER'S RIGHTS

22 Any such lender shall have the right at any time
23 during the term hereof:

24 (1) To do any act or thing required of TENANT
25 hereunder and all such acts or things done and performed shall
26 be as effective to prevent a forfeiture of TENANT's rights
27 hereunder as if done by the TENANT; and

28 (2) To realize on the security afforded by the

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1 leasehold estate and to acquire and succeed to the interest of
2 TENANT hereunder by foreclosure of any mortgage or deed of
3 trust and to convey or assign the title to the leasehold
4 estate created hereby to any purchaser at a foreclosure sale;
5 and

6 (3) In the event of any default by the TENANT in
7 the payment of an installment of rent hereunder, to pay such
8 rent to the LANDLORD and such rent payments alone, without
9 further requirement, shall be sufficient to prevent a
10 termination or forfeiture of the leasehold estate created
11 hereby, provided, however, that such right to prevent such
12 termination or forfeiture shall exist only for a period of
13 sixty (60) days after notice of such default has been given by
14 the LANDLORD to such lender and only as to those lenders who
15 have notified the Airport Manager of their interest in said
16 Premises, as provided in subparagraph (D) below; and after
17 said sixty (60) day period such lender, to prevent such
18 termination or forfeiture, shall be required to do all acts
19 and things required of TENANT to be done and performed
20 hereunder; and

21 (4) Cure such default or breach if the same can be
22 cured by the payment of expenditure of money provided to be
23 paid under the terms of this Lease; or if such default or
24 breach is not so curable, cause the trustee under the trust
25 deed to commence and thereafter to diligently pursue to
26 completion steps and proceedings for the exercise of the
27 power of sale under and pursuant to the trust deed in the
28 manner provided by law; and

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1 (5) Keep and perform all of the covenants and
2 conditions of this Lease requiring the payment or expenditure
3 of money by TENANT until such time as said leasehold shall be
4 sold upon foreclosure pursuant to the trust deed or shall be
5 released or reconveyed thereunder; and

6 (6) However, if the holder of the trust deed shall
7 fail or refuse to comply with any and all of the conditions of
8 this paragraph 8, then and thereupon LANDLORD shall be
9 released from the covenant of forbearance herein contained.

10 C. LENDER DEFINED.

11 The term "lender on the security of the leasehold estate"
12 as used in this paragraph 8 and elsewhere in this Lease shall mean
13 the mortgagee under any mortgage, or the trustee and beneficiary
14 under any deed of trust or indenture of mortgage and deed of trust
15 encumbering the leasehold estate or TENANT's interest therein
16 (including the assignee or successor of any such mortgage,
17 beneficiary or trustee of any such mortgage, deed of trust or
18 indenture of mortgage and deed of trust and the holder of any
19 promissory note or bond secured thereby), and executed by TENANT
20 and delivered for the purpose of securing to such mortgagee,
21 trustee or beneficiary payment of any indebtedness incurred by
22 TENANT and secured by such mortgage, deed of trust or indenture of
23 mortgage and deed of trust.

24 D. NOTICE.

25 As a condition to the vesting of any rights in this Lease
26 or in the leasehold estate created hereby in any encumbrancer,
27 except as may be otherwise provided by law, there shall first have
28 been delivered to the Airport Manager a written notice of such

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1 encumbrance which shall state the name and address of the
2 encumbrancer for the purpose of enabling notices to be given under
3 paragraph 18(L) herein.

4 E. AMENDMENT OF LEASE.

5 If any lender shall require that LANDLORD agree to
6 modification of this Lease as a condition to making any loan
7 secured by a deed of trust or indenture of mortgage encumbering
8 the leasehold estate or TENANT'S interest therein, then LANDLORD
9 agrees that it will enter into an agreement with TENANT making the
10 modifications that are requested, provided that LANDLORD shall not
11 be required to make any modification which adversely affect any
12 right or interest of LANDLORD under this Lease.

13 F. NOTICE OF DEFAULT.

14 Upon and immediately after the recording of the trust
15 deed, TENANT at TENANT'S expense, shall cause to be recorded in the
16 Office of the Recorder of Los Angeles County, California, provided
17 same has been duly executed and acknowledged by LANDLORD, a written
18 Request for Notice of any notice of default and of any notice of
19 sale under the trust deed as provided by the statutes of the State
20 of California relating thereto. Concurrently with the execution or
21 such Deed of Trust and Note, TENANT shall furnish to LANDLORD a
22 complete copy of the trust deed and note secured thereby, together
23 with the name and address of the holder thereof. Lender's rights
24 as set forth in subparagraph (B) of this paragraph 8 shall not be
25 valid or effective unless and until TENANT shall have provided
26 LANDLORD with the documents and information specified in this
27 paragraph.

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9. ASSIGNMENT AND SUBLETTING

A. CONSENT

(1) TENANT shall not assign or sublet this Lease or any interest herein without first obtaining the written consent of the LANDLORD and the giving of such consent shall not be a waiver of any rights to object to further or future assignments or subleases, but the consent to each successive assignment or sublease must be first obtained in writing from and by LANDLORD.

(2) TENANT shall reimburse LANDLORD for all costs, expenses and fees (including the allocated costs for in-house legal services) incurred by LANDLORD in connection with any proposed assignment or sublease not to exceed Two Thousand Five Hundred Dollars (\$2,500.00).

(3) Any request to assign or sublease, shall be accompanied by such data relating to the identity and financial condition of the proposed assignee or sublessee as may be requested to permit LANDLORD to render its decision.

(4) Except as otherwise provided herein, if TENANT is a partnership or joint venture, a withdrawal, addition or change (voluntary, involuntary, by operation of law, or otherwise) of any of the partners or adventurers thereof, or if TENANT is composed of more than one person, a purported assignment or transfer (voluntary or involuntary, by operation of law, or otherwise) from one thereof unto the other or others thereof, or if TENANT be a corporation, a change in the ownership (voluntary, involuntary, or by operation of law, or otherwise) of twenty-five percent (25%) or more of its capital

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1 stock owned as of the date of its acquisition of this Lease
2 shall be deemed an assignment prohibited hereby unless the
3 written consent of the LANDLORD is first obtained thereto;
4 provided, however, that a change in the ownership of said
5 capital stock as a result of the death or judicially declared
6 incompetency of the TENANT may be made without the consent of
7 the LANDLORD. Provided, however, that nothing herein shall be
8 deemed to preclude transfer, assignment, purchase or sale of
9 the interests to an existing shareholder of TENANT or a public
10 offering so long as the LANDLORD shall have first been given
11 written notice of such transfer, assignment, purchase or sale.

12 (5) LANDLORD shall not unreasonably refuse to grant
13 its written consent to such transfer provided that without
14 said approval any proposed transfer, whether voluntary or
15 involuntary, shall be void and shall confer no right or
16 occupancy upon said transferee.

17 (6) A transfer or an assignment of any such stock
18 or interest to a shareholder's or partner's grantor trust,
19 spouse, children or grandchildren is expected from the
20 provisions hereof.

21 (7) A transfer or assignment of the interest of any
22 of the entities constituting TENANT to a wholly-owned
23 subsidiary or subdivision of such entity shall not require
24 consent of LANDLORD.

25 B. VESTING OF ASSIGNMENTS

26 As a condition of the vesting of any rights in this
27 Lease or in the leasehold estate created hereby in any assignee
28 of the TENANT's interest hereunder, whether voluntary or

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1 involuntary, each such assignee shall first have delivered to
2 LANDLORD's Airport Manager a written notice of such assignment,
3 which notice:

4 (1) Shall contain a statement that the assignee
5 agrees to be bound by all the terms, covenants and conditions
6 of this Lease which are to be performed by TENANT, including,
7 but not limited to, the restriction on use of the Premises for
8 aircraft manufacture and such other uses as are incidental to
9 and consistent with the manufacture of aircraft.

10 (2) Shall state the name and address of the
11 assignee for the purpose of enabling notices to be given under
12 paragraph 18(L) below.

13 (3) Shall state whether the assignee is an
14 individual, a corporation or a partnership, and if such
15 assignee is a corporation, the names of such corporations,
16 principal officers and of its directors and state of
17 incorporation, and if such assignee is a partnership, the
18 names and addresses of the members of such partnership.

19 (4) Shall state the amount of capital stock
20 assigned and the total amount of capital stock outstanding at
21 the time of the assignment.

22 C. VESTING OF SUBLEASES

23 As a condition to the vesting of any rights in this Lease
24 or in the leasehold estate created hereby in any sublessee of the
25 TENANT's interest hereunder, whether voluntary or involuntary, each
26 such sublessee shall first have delivered to LANDLORD's Airport
27 Manager a written notice of such subleases which notice:

28 (1) Shall state the name and address of the

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1 sublessee for the purpose of enabling notices to be given
2 under paragraph 18(L) below.

3 (2) Shall state whether the sublessee is an
4 individual, a corporation or a partnership, and if such
5 sublessee is a corporation, the names of such corporations,
6 principal officers and its directors and state of
7 incorporation, and if such sublessee is a partnership, the
8 names and addresses of the members of such partnership.

9 (3) Shall contain a statement that the subtenant
10 agrees to be bound by all terms, covenants and conditions of
11 this Lease which are to be performed by TENANT including, but
12 not limited to, the restriction on use of the Premises for
13 aircraft manufacture and such other uses as are incidental to
14 and consistent with the manufacture of aircraft.

15 D. TERMINATION

16 This Lease shall not be terminated by reason of any
17 assignment or transfer by operation of law of TENANT's interest
18 hereunder or in the leasehold estate created hereby.

19 E. LENDER'S LIABILITY

20 In the event that any lender on the security of the
21 leasehold estate obtains title to the leasehold estate or to any
22 part hereof, by sale on foreclosure proceedings or by deed given
23 in lieu of foreclosure and subsequently assigns its interest
24 therein and such lender and its assignee comply with all the
25 provisions of this paragraph 9, then such lender shall be relieved
26 of any liability hereunder as the successor of TENANT, except:

27 (1) Liability for the amount of any rental or other
28 moneys due and owing to LANDLORD by the lender or by TENANT or

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1 any other of the assignees or successors of the lender or
2 TENANT at the time of such assignment;

3 (2) Liability to apply the proceeds of any
4 insurance policy in accordance with the provisions of
5 paragraph 7 above; and

6 (3) Liability under the provisions of paragraphs 7
7 and 11 of this Lease.

8 F. LENDER'S RIGHT TO ASSIGNMENT

9 Notwithstanding anything to the contrary contained in
10 this paragraph 9, any lender on the security of the leasehold
11 estate upon succeeding to the TENANT's interest shall have the
12 right to make one (1) assignment thereafter without the written
13 consent of LANDLORD.

14 G. NON-DISTURBANCE AGREEMENT

15 LANDLORD agrees that it will from time to time enter into
16 so-called "non-disturbance" agreements with any permitted sub-
17 tenant of TENANT which requests such an agreement. Such non-
18 disturbance agreement shall provide that in the event of early
19 termination of this Lease as a result of TENANT's default
20 thereunder, LANDLORD shall recognize the sublease and not disturb
21 the sub-tenant's possession thereunder only so long as such sub-
22 tenant shall not be in default under its sublease, that the sub-
23 tenant will attorn to LANDLORD and that the sub-tenant will pay
24 rent to LANDLORD from the date of such attornment, and that
25 LANDLORD shall not be responsible to the sub-tenant under the
26 sublease except for obligations accruing subsequent to the date of
27 such attornment.

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10. EMINENT DOMAIN

A. DEFINITIONS

As used in this Lease:

(1) "Condemnation" means (i) the taking or damaging, including severance damage, by eminent domain or by inverse condemnation or for any public or quasi-public use under any statute whether by legal proceedings or otherwise, by a condemnor (hereinafter defined), and (ii) a voluntary sale or transfer to a condemnor, either under threat of condemnation or while condemnation legal proceedings are pending.

(2) "Date of taking" means the earlier of (i) the date actual physical possession is taken by the condemnor or (ii) the date on which the right to compensation and damages accrues under the law applicable to the Premises.

(3) "Award" means all compensation, sums, or anything of value awarded, paid or received for a total taking, a substantial taking or a partial taking (hereinafter defined), whether pursuant to judgment or by agreement or otherwise.

(4) "Condemnor" means any public or quasi-public authority or private corporation or individual having the power of condemnation.

(5) "Total taking" means the taking by condemnation of the fee title to all the Premises and all the Improvements.

(6) "Substantial taking" means the taking by condemnation of so much of the Premises or Improvements or both that one or more of the following conditions results:

(a) The remainder of the Premises would not be economically and feasibility usable by TENANT for the use and

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1 purposes permitted by this Lease; and/or

2 (b) A reasonable amount of reconstruction would not
3 make the Premises and Improvements a practical improvement and
4 reasonably suited for the uses and purposes for which the
5 Premises are leased hereunder.

6 (7) "Partial taking" means any taking of the fee
7 title that is not either a total taking or a substantial
8 taking.

9 (8) "Notice of intended condemnation" means any
10 notice or notification on which a reasonably prudent man would
11 rely and which he would interpret as expressing an existing
12 intention of condemnation as distinguished from a mere
13 preliminary inquiry or proposal.

14 B. NOTICE.

15 LANDLORD and TENANT shall give each other prompt notice
16 of any condemnation action or threat thereof. LANDLORD, TENANT and
17 any Lender shall all have the right to participate in any
18 settlement of awards, compensation, and damages and may contest any
19 such awards, compensation, and damages and prosecute appeals
20 therefrom. Each party shall bear its own cost thereof. Any Lender
21 shall be entitled to notice from both TENANT and LANDLORD with
22 regard to any condemnation action, threat thereof, or settlement
23 proceedings.

24 C. TOTAL OR SUBSTANTIAL TAKING.

25 (1) On a total taking, this Lease shall terminate
26 on the date of taking.

27 (2) If TENANT determines in its sole discretion
28 that a taking is a substantial taking as defined above, TENANT

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1 may, by notice to LANDLORD given within thirty (30) days after
2 TENANT receives notice of intended condemnation, elect to
3 treat the taking as a substantial taking. A substantial
4 taking shall be treated as a total taking.

5 (3) On a total taking all sums, including damages
6 and interest awarded for the fee or leasehold or both, shall
7 be distributed and disbursed in the following order of
8 priority:

9 (a) To LANDLORD a sum equal to the fair market
10 value of the Premises, valued as unimproved land exclusive of
11 improvements and encumbered by the terms and conditions of
12 this Lease and subleases, as well as any compensation awarded
13 for its loss of revenue from this Lease, and the value of
14 LANDLORD's reversionary interest in the Premises, to the
15 extent that said reversionary interest has a separate value
16 from the unimproved land.

17 (b) To TENANT, subject to the rights of any
18 Leasehold Lender, the value of the Leasehold estate under this
19 Lease, and the value of any buildings or improvements on the
20 Premises, loss of business and fixtures less the sum of any
21 payments made to LANDLORD with respect to LANDLORD's
22 reversionary interest, if any, in the buildings or
23 improvements.

24 D. PARTIAL TAKING.

25 (1) On a partial taking, this Lease shall cease as
26 to the part so taken, as of the date of taken, and shall
27 remain in full force and effect covering the remainder of the
28 Premises and improvements, except that the Monthly Rent shall

1 be reduced in proportion to the ratio that the land area of
2 the Premises taken bears to the land area of Premises prior to
3 the taking

4 (2) Promptly after a partial taking, TENANT, to the
5 extent of any award paid to TENANT on account of such taking,
6 shall repair, alter, modify, or reconstruct the improvements
7 ("restoring") so as to make them reasonably suitable for
8 TENANT's continued occupancy for the uses and purposes for
9 which the Premises are leased. If TENANT does not restore as
10 above, the cost of such restoring shall be deducted from
11 TENANT's share of the award and paid to any leasehold
12 mortgagee demanding it and otherwise to LANDLORD.

13 (3) On a partial taking, all sums, including
14 damages and interest, awarded for the fee or leasehold or
15 both, shall be distributed and disbursed in the following
16 order of priority:

17 (a) To TENANT the cost of restoring the
18 improvements, the value of the improvements or fixtures taken,
19 plus any amount awarded or assessed for severance damages,
20 plus any amount assessed, awarded, paid, or incurred to remove
21 or relocate sub-tenants, plus any amount awarded for
22 detriment to business.

23 (b) To LANDLORD a sum equal to the value of the
24 portion of the Premises taken, valued as unimproved and
25 exclusive of improvements and burdened by all leases and
26 subleases.

27 (4) Rent shall be abated or reduced during the
28 period from the date of taking until the completion of

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1 restoration, but all other obligations of TENANT under this
2 Lease shall remain in full force and effect. The amount of
3 abatement or reduction of rent shall be based on the extent to
4 which the restoration interferes with TENANT's use of the
5 Premises.

6 (5) Each party waives the provisions of Code of
7 Civil Procedure Section 1265.130, allowing either party to
8 petition the Superior Court to terminate this Lease in the
9 event of a partial taking of the Premises under the
10 circumstances described in said Section.

11
12 **11. DAMAGE OR DESTRUCTION**

13 **A. RECONSTRUCTION AND/OR REMOVAL**

14 In the event any improvement on the Premises is damaged
15 or destroyed by fire or other casualty or any other cause covered
16 by insurance, TENANT shall cause the commencement of reconstruction
17 to the damaged or destroyed improvement within ninety (90) days
18 after adjustment for such damage or destruction with the insurer
19 and any lender on the security of the leasehold estate, and
20 thereafter cause such reconstruction to be diligently prosecuted to
21 substantial completion. Subject to subparagraph (B) below, any
22 reconstruction of the Project shall be pursued in accordance with
23 paragraph 5 of this Lease. In the event any improvement on the
24 Premises is damaged or destroyed as a result of a casualty against
25 which TENANT is not required to carry insurance, and the cost of
26 restoration of such damages or destruction exceeds twenty-five
27 (25%) percent of the replacement cost of such improvement on the
28 date immediately preceding such damage or destruction, TENANT may

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1 terminate this Lease by giving notice to Landlord within sixty (60)
2 days after such damage or destruction, such termination to be
3 effective as of the date specified in such notice.

4 B. DESTRUCTION AT END OF TERM

5 Should any damage or destruction to the improvements
6 constructed on the Premises occur during the last seven (7) years
7 of the Term, and the cost of restoration of such damage or
8 destruction exceeds twenty-five percent (25%) of the replacement
9 cost of the damaged or destroyed building on the date immediately
10 preceding such damage or destruction or should any damage or
11 destruction to the improvements constructed on the Premises occur
12 during the last two (2) years of the Term, and the cost of
13 restoration of such damage or destruction exceeds ten percent (10%)
14 of the replacement cost of such improvement on the date immediately
15 preceding such damage or destruction, TENANT may terminate this
16 Lease by giving notice to Landlord within sixty (60) days after
17 such damage or destruction, such termination to be effective as of
18 the date specified in such notice, and shall deliver or assign to
19 LANDLORD all insurance proceeds received by TENANT as a result of
20 such casualty. If TENANT terminates the Lease, TENANT must within
21 ninety (90) days after the adjustment of the loss, commence the
22 removal of such damaged leasehold improvements and thereafter
23 diligently prosecute to completion the removal of the damaged
24 improvements and the removal of all debris from the damaged
25 building pad(s) with asphalt paving and striping or landscaping.

26 C. MAINTENANCE AND REPAIR

27 TENANT, at its sole cost, shall keep and maintain the
28 Premises, and all buildings, structures and improvements of any

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1 kind thereon in good and substantial repair and condition and shall
2 perform all necessary maintenance. TENANT shall also repair at its
3 sole cost any on- or off-site damage, including damage to any
4 runway, taxiway or taxilane resulting from TENANT's use of the
5 Premises. Should TENANT fail to make any repairs or perform any
6 required maintenance within thirty (30) days after receipt of
7 notice from LANDLORD to make such repairs or perform such required
8 maintenance, LANDLORD may, but shall not be obligated to, make and
9 perform such repairs or maintenance. TENANT agrees to reimburse
10 LANDLORD for the cost thereof within thirty (30) days after receipt
11 of LANDLORD's invoice therefor. TENANT shall be in default under
12 this Lease if it fails to reimburse LANDLORD within said thirty
13 (30) day period. "LANDLORD's cost" shall mean and include all
14 costs and expenses, direct and indirect, such as, without
15 limitation, direct and allocated costs for labor, materials,
16 services, supervision, supplies, tools, taxis, transportation,
17 administrative and general expense and other indirect or overhead
18 expense and interest at ten percent (10%) on funds actually
19 expended by LANDLORD in affecting the repairs and/or maintenance.
20 Should TENANT commence to prosecute and diligently make such
21 repairs or begin to perform the required maintenance within the
22 thirty (30) day period, LANDLORD shall refrain from commencing to
23 make any repairs or required maintenance. The making of any
24 repairs or the performance or maintenance by LANDLORD, which is the
25 responsibility of TENANT shall in no event be construed as a waiver
26 of the duty or obligation of TENANT to make future repairs or
27 perform required maintenance as provided in this Lease. All
28 exterior repairs in excess of Ten Thousand Dollars (\$10,000) shall

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1 be done in consultation with the Airport Manager.

2 All fire protection sprinkler systems, fire hydrant
3 systems, standpipe systems, fire alarm systems, portable fire
4 extinguishers and other fire-protective or extinguishing systems or
5 appliances which have been or may be installed by TENANT on the
6 Premises shall be maintained by TENANT, at its cost, in an
7 operative condition at all times. All repairs and servicing shall
8 be made in accordance with the provisions of the Long Beach
9 Municipal Code, Chapter 18.48 and all revisions thereto.

10 D. INSPECTION

11 The Airport Manager or his authorized representative
12 shall have the right, upon reasonable prior written or verbal
13 notice and during normal business hours, to enter, inspect,
14 determine the condition of and protect LANDLORD's interest in the
15 Premises for the purpose of keeping the Premises in a decent, safe,
16 healthy, clean and functional condition. In exercising its rights
17 made under this subparagraph D, LANDLORD shall not unreasonably
18 interfere with TENANT's business activities on the Premises. If an
19 inspection discloses that the Premises are not in the condition
20 required by this Lease, the provisions of paragraph 11(C) above
21 shall apply.

22
23 12. STORAGE

24 A. TENANT may store aircraft components, equipment,
25 parts, bulk liquids, scrap lumber, metal, machinery or other
26 materials related to the conduct of its business on the Premises,
27 provided, however, that such storage may be done only within a
28 fully enclosed area screened from view. No storage may be done on

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1 any apron, ramp or taxiway, without prior written approval of
2 Airport Manager.

3 B. Derelict aircraft, inoperative ground vehicles unused
4 ramp equipment, scaffolding, hoists and related items not regularly
5 and routinely in use as part of TENANT's business, may not be kept
6 on the Premises unless such materials are maintained within a fully
7 enclosed permanent structure.

8 C. Violation of the requirements of this paragraph 12
9 shall be deemed a default if the condition has not been cured to
10 the satisfaction of the Airport Manager within thirty (30) days of
11 posting of the property or service of TENANT with a notice thereof.

12
13 **13. FUEL FLOWAGE FEES**

14 **A. REQUIREMENT TO PAY**

15 TENANT agrees to pay all applicable fuel flowage fees at
16 such rates as may be regularly established from time to time by
17 LANDLORD's City Council for aircraft fuels delivered at the
18 Airport. Such fees shall be due and payable on the tenth (10th)
19 day of the month succeeding that in which the aircraft fees are
20 received by TENANT. The fees shall be calculated and administered
21 as provided herein on the basis of information submitted on a form
22 provided by LANDLORD.

23 **B. SUPPLIER AGREEMENT**

24 TENANT may enter into a written agreement with fuel
25 supplier which recognizes the existence of the provisions of this
26 Lease. A copy of said agreement shall be delivered to LANDLORD's
27 Airport Manager prior to the commencement of fuel delivery. Said
28 agreement shall provide that either TENANT or TENANT's supplier

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1 shall indemnify, hold harmless and provide insurance coverage to
2 the City for all uses arising from the delivery, storage, sale and
3 supplying of such fuel. Such agreement shall further provide that
4 the supplier shall make available to the City at reasonable times,
5 its records of transactions involving delivery of fuel to TENANT
6 for purposes of auditing TENANT's performance under this Lease.

7 C. UNDERGROUND STORAGE AND DELIVERY

8 All fuel delivered, if any, to TENANT by its supplier or
9 suppliers shall be placed into underground facilities, the location
10 and design of which shall have been approved by LANDLORD's Airport
11 Manager and all fuel delivered by any supplier or suppliers shall
12 be placed directly into said approved underground storage
13 facilities.

14 D. REPORTING, PAYMENT AND STATEMENTS

15 Where applicable, deliveries of fuel shall be reported
16 and fees therefor paid by TENANT to LANDLORD each calendar month as
17 provided herein. The fees to be paid shall be computed on the
18 basis of the oil company's meter tickets supplied by the tanker
19 truck holding the delivery from, or from refinery meter tickets
20 provided to the carrier at the time the tanker truck is loaded.
21 The amount shown on such tickets to have been delivered in
22 agreement shall be multiplied by the rate established by the City
23 Council then in effect. The product of that computation shall be
24 the fuel flowage fee due for that month. TENANT will provide a
25 year-end statement showing all deliveries in the previous year.
26 Both monthly reports and year-end statements shall be on forms
27 supplied by the Airport Manager.

28 /

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City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
(562) 570-2200

1 E. IN LIEU PERFORMANCE

2 Any action required of TENANT or authorized to be done by
3 TENANT may be performed on behalf of TENANT by TENANT's authorized
4 sub-tenant or sub-tenants.

6 14. BULLETIN BOARD

7 A. BULLETIN BOARD

8 TENANT will install and continuously maintain a bulletin
9 board in a location on the Premises which will be convenient to and
10 easily seen by patrons, users and visitors and will post and
11 display notices, bulletins and other information supplied by the
12 Airport Manager in a prominent place where such will be easily
13 visible to TENANT's employees, patrons, users and visitors, or will
14 authorize the Airport Manager to post such notices which shall
15 remain continuously on display for such period of time as the same
16 may continue in effect.

17 B. BILLBOARDS AND SIGNS

18 Except as required by subparagraph A above, TENANT agrees
19 not to construct, install or maintain, nor to allow upon the
20 Premises any billboards, signs, banners or like displays which may
21 be placed in or upon any building or structure in such manner as to
22 be visible from the outside thereof, except those approved in
23 TENANT's site plan or PD zoning ordinance. All signs are subject
24 to the limitations of the sign ordinance of the City of Long Beach
25 except as any duly adopted PD zoning ordinance may specifically
26 provide.

27 /
28 /

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15. UTILITIES

A. UTILITIES

The TENANT shall, at its own cost, pay for all electricity, gas, water, telephone and other utility services furnished to TENANT, including the cost of installation of necessary connections for all of said services. All utilities added from or after the date of this Lease shall be underground.

B. UTILITY RELOCATION

If in connection with the construction and development of the Project it becomes necessary to relocate any utility line or facility to another location, TENANT shall, at its sole cost and expense, relocate or arrange for the relocation of the utility line or facility to a location within the Premises which is outside the area of construction of the Project. Any relocation shall be completed as expeditiously as possible, in accordance with all applicable laws, rules, regulations and ordinances.

C. WASTE DISPOSAL

TENANT shall construct all facilities necessary to prevent any water or industrial waste from the operations of TENANT on the Premises from flowing into adjacent property. TENANT shall dispose of all sewage and industrial waste in accordance with all applicable regulations and laws of those governmental agencies having jurisdiction or authority over the same. TENANT shall insure that all solid waste materials are placed in appropriate covered containers designed for use with the type of waste involved, which shall remain covered, and that said containers are maintained within enclosures located on the Premises and designated to keep said trash containers out of the flow of traffic and

1 obscured from view.

2
3 **16. FAA SECURITY AND SAFETY REGULATIONS**

4 This Lease is subject to Federal Aviation Regulations
5 Part 107 and Part 139 relating to Safety and Security. LANDLORD
6 shall provide copies thereof to TENANT who shall provide copies
7 thereof to all sub-tenants. If any violation of Part 107 or Part
8 139 occurs on the Premises, TENANT or its sub-tenants shall be
9 strictly liable to reimburse LANDLORD for the full amount of any
10 fine, penalty or other financial loss resulting therefrom.

11
12 **17. TERMINATION**

13 **A. TERMINATION BY LANDLORD**

14 (1) If any of the following events shall occur
15 ("Event of Default") and shall continue for thirty (30) days
16 after written notice from LANDLORD, the same shall constitute
17 an Event of Default upon the lapse of such applicable period,
18 subject to any provision of this Lease excusing or allowing
19 for delay in performance by TENANT:

20 (a) TENANT shall fail to commence construction
21 of the Project within thirty (30) days of the Effective Date,
22 or fail to complete construction of the Project within
23 eighteen (18) months following commencement of construction.

24 (b) Failure or refusal to pay to LANDLORD when
25 due the applicable Rent (or Adjusted Rent) required by this
26 Lease to be paid by TENANT, or the failure or refusal to pay
27 to LANDLORD when due any of the other amounts required under
28 this Lease which exceed, at any one time the sum of Ten

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1 Thousand and No/100 Dollars (\$10,000.00) (which are
2 hereinafter referred to as "Other Significant - Monetary
3 Obligations").

4 (c) Failure or refusal to pay when due any
5 taxes, assessments or other impositions as required by this
6 Lease, including any assessment levied against the Premises
7 subject, however, to the rights of TENANT to contest such
8 impositions as permitted by law.

9 (d) Failure to pay when due all fees and
10 charges for refuse service, gas, water, sewer or other utility
11 or service provided by City.

12 (e) Failure to maintain all necessary permits
13 and business licenses required by the LANDLORD in its
14 municipal or regulatory capacity for the operation of the
15 business located on the Premises, and failure to pay all fees
16 for permits and licenses to the LANDLORD when due.

17 (f) The making of any voluntary conveyance,
18 assignment, sublease or other transfer of the leasehold
19 interest in the Premises, or any part thereof, or of the
20 rights of TENANT under this Lease in violation of paragraph 9
21 of this Lease.

22 (g) Failure to make full repair and
23 restoration of the Premises and the Improvements in the event
24 of damage or destruction as required by the terms of this
25 Lease.

26 (h) The voluntarily filing or having
27 involuntarily filed against it (which is not dismissed within
28 ninety (90) days), any petition under any bankruptcy or

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1 insolventy act or law, or be adjudicated a bankrupt, or make
2 at general assignment for the benefit of creditors.

3 (i) Failure to maintain public liability and
4 casualty insurance as required by this Lease.

5 (j) The breach or violation by TENANT of any
6 other material term or condition of this Lease.

7 (2) Should an Event of Default occur, Airport
8 Manager may, in addition to exercising any other right
9 provided by this Lease or applicable law, declare this Lease
10 and all rights and interest created thereby to be terminated.
11 Notwithstanding the foregoing, where it appears to the
12 satisfaction of the Airport Manager that such default cannot
13 be cured within thirty (30) days (or such other time period
14 provided herein) by the exercise of due diligence, and where
15 TENANT has begun and continues a good faith effort to cure
16 such default, the Airport Manager shall grant an extension of
17 time for the curing of said default sufficient to permit said
18 default to be cured.

19 B. TERMINATION BY TENANT

20 Should LANDLORD default in the performance of any term,
21 covenant, or condition to be performed by LANDLORD and such default
22 is not remedied by LANDLORD within thirty (30) days from and after
23 written notice by TENANT specifying said default, TENANT may
24 declare this Lease and all rights and interests created thereby to
25 be terminated. Should any law or ordinance become effective which
26 results in substantial interference with the use of the Premises by
27 TENANT, then TENANT may terminate this Lease upon giving written
28 notice to LANDLORD's City Manager of such termination.

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1 C. LANDLORD'S RIGHT TO RE-ENTER

2 If any default by TENANT shall continue uncured following
3 notice of default for the period applicable to the default under
4 the provisions of this Lease, LANDLORD may, at its option,
5 terminate this Lease by giving TENANT notice of termination. On
6 the expiration of the Lease term or in the event of a sooner
7 termination following TENANT's default, upon giving written notice
8 of termination to TENANT, TENANT agrees to yield and peaceably
9 deliver possession of the Premises to LANDLORD on the date of
10 termination of this Lease, without regard to the reason for such
11 termination. Upon giving written notice of termination to TENANT,
12 the LANDLORD shall have the right to re-enter and take possession
13 of the Premises on the date such termination becomes effective
14 without further notice of any kind and without institution of
15 summary or regular legal proceedings. Termination of the Lease and
16 re-entry of the Premises by LANDLORD shall in no way alter or
17 diminish any obligation of TENANT under the Lease terms and shall
18 not constitute an acceptance or surrender. TENANT waives any and
19 all right of redemption under any existing or future law or statute
20 in the event of eviction from or dispossession of the Premises for
21 any reason or in the event LANDLORD re-enters and takes possession
22 of the Premises in a lawful manner. If upon service by LANDLORD
23 upon TENANT of a termination notice, TENANT disputes LANDLORD's
24 right to terminate, TENANT shall seek its appropriate provisions or
25 preliminary relief by filing an application for same in the
26 appropriate court, prior to the termination date in the notice of
27 termination, it being the intention of the parties that any dispute
28 as to the right of LANDLORD to terminate this Lease, shall

1 thereafter be fully adjudicated in that forum. In the event that
2 TENANT fails to seek provisional or preliminary relief as provided
3 for herein within the time period set forth above, TENANT agrees
4 that should the manner or method employed by LANDLORD in re-
5 entering or taking possession of the Premises give TENANT a cause
6 of action for damages or in forcible entry and detainer, the total
7 amount of damages to which TENANT shall be entitled in any such
8 action shall be One Dollar (\$1.00). TENANT agrees that this clause
9 may be filed in any such action and that when filed, it shall be a
10 stipulation of TENANT fixing the total damages to which TENANT is
11 entitled in such an action.

12 D. ABANDONMENT

13 If TENANT shall abandon or be dispossessed by process of
14 law or otherwise, any personal property belonging to TENANT
15 remaining on the premises thirty (30) days after such abandonment
16 or dispossession shall be deemed to have been transferred to
17 LANDLORD, and LANDLORD shall have the right to remove and to
18 dispose of the same without liability to account therefore to
19 TENANT or to any person claiming under TENANT.

20 E. SURRENDER OF POSSESSION

21 (1) Upon the termination or earlier expiration of
22 this Lease (whether by lapse of time or otherwise), TENANT, at its
23 cost, and subject to TENANT's right to leave the Improvements on
24 the Premises, shall restore the Premises to as good a state and
25 condition as the same were upon the date TENANT originally took
26 possession thereof, including any required environmental
27 remediation of the Premises, reasonable wear and tear and damage by
28 the elements excepted, and shall thereafter peaceably surrender

1 possession within a reasonable period of time, not exceeding thirty
2 (30) days. Notwithstanding the foregoing, the remediation
3 obligation of TENANT shall not apply to (i) a Release by LANDLORD,
4 its agents or employees, on, under or from the Premises prior to
5 the Effective Date, (ii) remedial action or cleanup which is not
6 required by a governmental agency having jurisdiction over the
7 Premises or pursuant to statutory or common law, (iii) any Release
8 on, under or from the Premises occurring prior to the Effective
9 Date, and (iv) a Release into the groundwater under the Premises
10 which TENANT can establish was not caused by TENANT.

11 (2) All improvements of any kind constructed,
12 erected or installed upon the Premises shall be and remain the
13 property of TENANT during the term of this Lease. TENANT shall
14 have the option, exercisable in its sole discretion and at its
15 cost, to remove the Improvements within ninety (90) days after
16 termination of this Lease. TENANT shall, at its sole cost and
17 expense, repair any damage caused by such removal. Any
18 Improvements not so removed shall automatically become the property
19 of LANDLORD at the time of such termination without compensation
20 therefor.

21 (3) Except as to improvements or property owned by
22 LANDLORD upon termination of this Lease (whether by lapse of time
23 or otherwise), TENANT shall cause all personal property upon the
24 Premises, whether or not such property be owned by TENANT or by
25 third parties, to be removed from the Premises prior to the
26 termination date and shall cause to be repaired any damage
27 occasioned by such removal. If the property is not so removed from
28 the Premises, LANDLORD shall have the right to remove and/or sell

1 and/or destroy the same (subject to the interest of any person
2 other than TENANT therein) at TENANT's expense, and TENANT agrees
3 to pay the reasonable cost of any such removal, sale, or
4 destruction within thirty (30) days of receipt of an invoice from
5 LANDLORD.

6
7 **18. GENERAL CONDITIONS**

8 **A. HOLDING OVER BY TENANT**

9 In the event of TENANT holding over and failing to
10 surrender the Premises at the expiration of the term hereof, or any
11 extension thereof, with or without the consent of LANDLORD, said
12 holdover shall result in the creation of a tenancy from month to
13 month at the monthly rental in effect for the last month prior to
14 termination hereof, payable on the first day of each month during
15 said month to month tenancy. Nothing herein shall be construed to
16 grant TENANT any right to hold over at the expiration of the term,
17 or any extension thereof without the express written consent of
18 LANDLORD. All other terms and conditions of this Lease shall
19 remain in full force and effect and be fully applicable to any
20 month to month tenancy hereunder.

21 **B. BANKRUPTCY**

22 Should TENANT make an assignment for benefit of creditors
23 or should a voluntary or involuntary petition of bankruptcy or for
24 reorganization be filed by or against TENANT, or if a receiver is
25 appointed of TENANT's business or assets (except a receiver
26 appointed at request of LANDLORD), or after involuntary arrangement
27 is filed by or against TENANT, such action shall constitute a
28 breach of this Lease for which LANDLORD, at its option, may

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1 terminate all rights of TENANT or TENANT's successors in interest
2 under this Lease, except as provided in this Lease, provided,
3 however, that an involuntary petition for bankruptcy or
4 reorganization, receiver or other involuntary arrangement which is
5 dismissed within ninety (90) days after filing without loss to
6 LANDLORD shall not constitute breach of this Lease.

7 C. SUCCESSORS IN INTEREST

8 Unless otherwise provided in this Lease, the terms,
9 covenants and conditions contained herein shall apply to and bind
10 the heirs, successors, executors, administrators and assigns of all
11 of the parties hereto, all of whom shall be jointly and severably
12 liable hereunder.

13 D. TAXES AND ASSESSMENTS

14 TENANT recognizes and understands that this Lease may
15 create a possessory interest subject to property taxation and that
16 TENANT may be subject to the payment of property taxes on such
17 interest. TENANT shall pay before delinquency, all taxes, license
18 fees, assessments and other charges which are levied and assessed
19 against and upon the Premises, fixtures, equipment, aircraft or
20 other property caused or suffered by the TENANT to be placed upon
21 the Premises or located at the Long Beach Municipal Airport.
22 TENANT's obligation under this subparagraph (D) is subject to any
23 legal right of TENANT to contest such taxes, license fees,
24 assessments and other charges. The TENANT shall furnish LANDLORD
25 with satisfactory evidence of these payments upon demand by
26 LANDLORD.

27 E. COSTS OF SUSTAINING AN ACTION FOR BREACH OR DEFAULT

28 In the event LANDLORD or TENANT commences legal action

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City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
(562) 570-2200

1 against the other claiming a breach or default of this Lease, the
2 prevailing party shall be entitled to recover its costs and
3 expenses of said litigation, including but not limited to
4 reasonable attorneys' fees.

5 F. CIRCUMSTANCES WHICH EXCUSE PERFORMANCE

6 If either party hereto shall be delayed or prevented from
7 the performance of any act required hereunder by reason of acts of
8 God, restrictive governmental laws or regulations or other cause,
9 without fault and beyond the reasonable control of the party
10 obligated other than financial incapacity, performance of such act
11 shall be excused for the period of the delay; and the period for
12 the performance of any such act shall be extended for a period
13 equivalent to the period of such delay, provided, however, nothing
14 in this section shall excuse TENANT from the prompt payment of a
15 rental or other charge required of TENANT hereunder except as may
16 be expressly provided elsewhere in this Lease.

17 G. AMENDMENTS

18 This Lease sets forth all of the agreements and under-
19 standings of the parties hereto and is not subject to modification,
20 except in writing duly executed by the legally authorized
21 representatives of each of the parties.

22 H. LEASE ORGANIZATION

23 The various headings in this Lease, the number of
24 letters thereof, and the organization of the Lease into separate
25 sections and paragraphs are for purposes of convenience only and
26 shall not be considered otherwise.

27 I. PARTIAL INVALIDITY

28 If any term, covenant, condition or provisions of this

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Long Beach, California 90802-4664
(562) 570-2200

1 Lease is held by a court of competent jurisdiction to be invalid,
2 void or unenforceable, the remainder of the provisions hereof shall
3 remain in full force and effect and shall in no way be affected,
4 impaired or invalidated thereby.

5 J. WAIVER OF RIGHTS

6 The failure of TENANT or LANDLORD to insist upon strict
7 performance of any of the terms, conditions or covenants herein
8 shall not be deemed a waiver of any rights or remedies that either
9 may have, and shall not be deemed a waiver of any subsequent breach
10 or default of the terms, conditions or covenants herein contained.

11 K. NOTICES

12 All notices given or to be given by either party to the
13 other shall be served by either: (1) enclosing the same in a
14 sealed envelope addressed to the party intended to receive the same
15 at the address indicated herein or at such other address as the
16 parties may by written notice hereafter designate, and deposited in
17 the U.S. Postal Service first class mail, with postage prepaid; or
18 (2) personal service upon the Airport Manager or upon an officer or
19 authorized agent of TENANT. Such notices shall be effective forty-
20 eight (48) hours after posting as provided herein if served by mail
21 or on the date personal service is effected if such notice is
22 personally served. For the purposes hereof, notices to LANDLORD
23 and TENANT shall be addressed as follows:

24 LANDLORD Long Beach Municipal Airport
4100 Donald Douglas Drive
25 Long Beach, California 90808
Attention: Airport Manager

26 WITH A COPY TO City of Long Beach
27 Office of City Attorney
333 West Ocean Boulevard
28 Long Beach, California 90802
Attention: City Attorney

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City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
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1 TENANT Advanced Aerodynamics and Structures, Inc.
2 3501 Lakewood Boulevard
3 Long Beach, California 90808
4 Attention: Gene Comfort

5 WITH A COPY TO Timothy C. Cameron, Esq.
6 CAMERON, MADDEN, PEARLSON & GALE
7 One World Trade Center, Suite 1600
8 Long Beach, CA 90837-1600

9 L. TIME

10 Time is of the essence of this Lease.

11 M. PROHIBITION AGAINST RECORDING LEASE

12 RECORDABLE MEMORANDUM OF LEASE

13 This Lease shall not be recorded. LANDLORD and TENANT
14 agree that they shall, at any time at the request of the other,
15 promptly execute a Memorandum of Lease, in recordable form, setting
16 forth a description of the Premises, the term of this Lease, and
17 any other provisions herein, or the substance thereof, as either
18 party desires, and the cost of recording any such memorandum or
19 short form shall be paid by TENANT.

20 N. QUIET POSSESSION

21 LANDLORD covenants and agrees that TENANT, upon paying
22 the rent and other charges herein provided for and observing and
23 keeping the covenants, conditions, and terms of this Lease on
24 TENANT's part to be kept or performed, shall lawfully and quietly
25 hold, occupy, and enjoy the premises during the term of this Lease
26 without any hindrance or molestation by LANDLORD or any person
27 claiming under LANDLORD.

28 O. TERMINATION OF PRIOR AGREEMENTS

It is mutually agreed that this Lease shall supersede any
prior agreements between the parties hereto covering all or any
portion of the Premises.

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P. APPROVALS

Except as otherwise specifically provided in this Lease, LANDLORD shall be reasonable in approving or consenting to any matter requiring the approval or consent of LANDLORD. All approvals or consents to be done by LANDLORD may be done by LANDLORD's City Manager or his designee.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed with all the formalities required by law on the respective dates set forth opposite their signatures.

ADVANCED AERODYNAMICS AND STRUCTURES, INC., a Delaware corporation

Aug. 12, 1997

By [Signature]

Its: President & CEO

Aug 12, 1997

By [Signature]

Its: EXECUTIVE VICE PRESIDENT

"TENANT"

CITY OF LONG BEACH, a municipal corporation

October 17, 1997

By [Signature]
ASSISTANT City Manager

"LANDLORD" EXECUTED PURSUANT TO SECTION 301 OF THE CITY CHARTER.

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

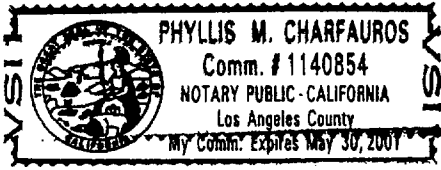
State of California

County of Los Angeles

On October 17, 1997 before me, Phyllis M. Charfauros, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Carl Leei Chen and Eugene E. Comfort
Name(s) of Signer(s)

personally known to me **OR** proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) ~~is~~/are subscribed to the within instrument and acknowledged to me that ~~he/she~~/they executed the same in ~~his/her~~/their authorized capacity(ies), and that by ~~his/her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

[Handwritten Signature]
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Long Beach Airport Lease

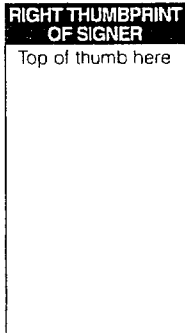
Document Date: October 1997 Number of Pages: 91

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

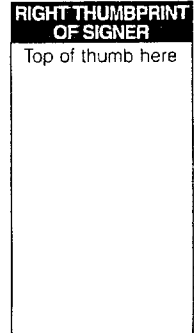
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____




Signer Is Representing:

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The foregoing Lease is hereby approved as to form this

17th day of October, 1997.

JOHN R. CALHOUN, City Attorney

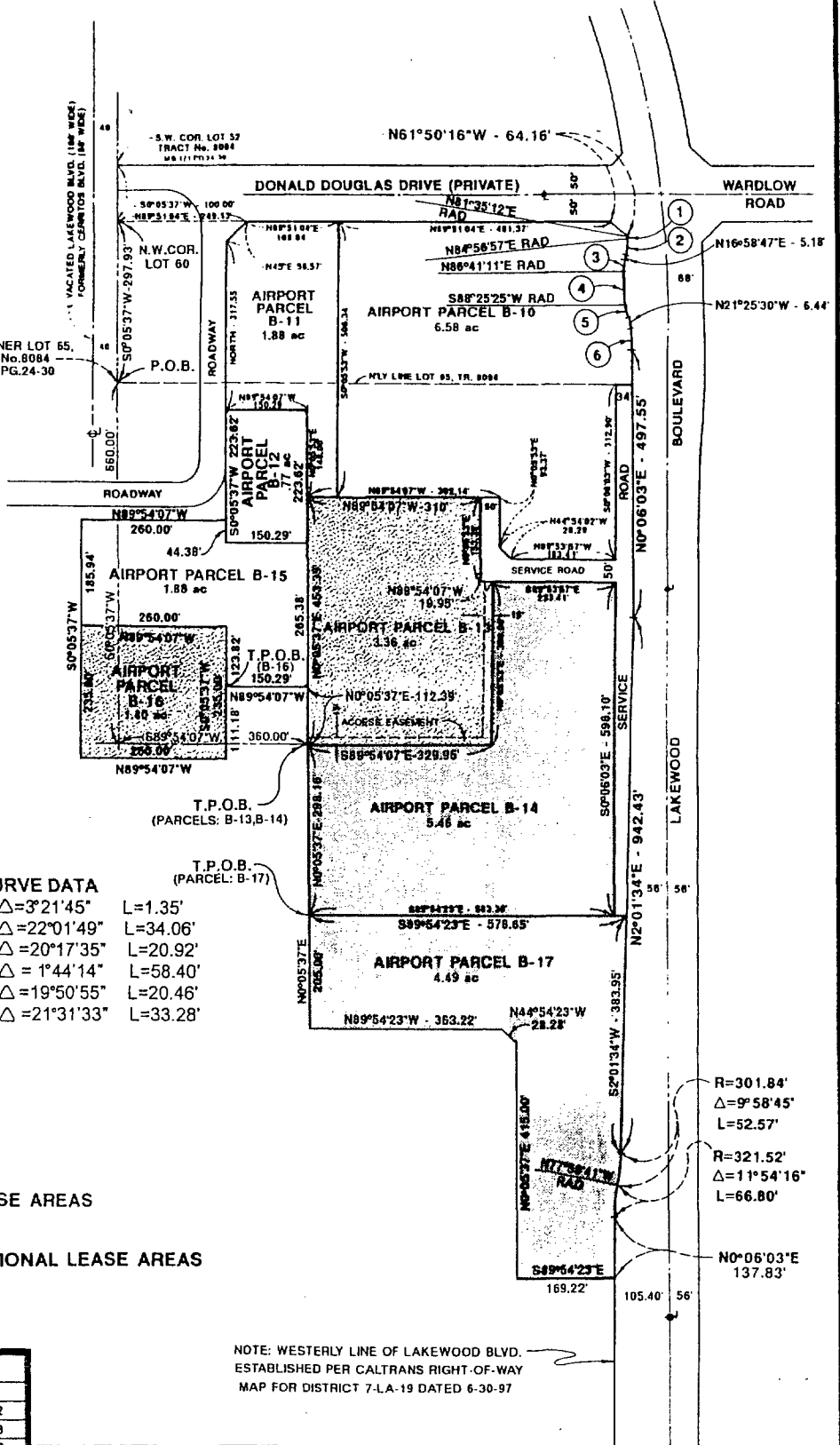
By: 
Everett L. Glenn, Deputy

John R. Calhoun
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
(562) 570-2200

ELG:ss
07/29/97; 10/16/97
AIRPORT\AASI.LSE



N.W. CORNER LOT 55,
TRACT No. 8084
M.B. 171, PG. 24-30



CURVE DATA

①	R=22.97'	Δ=3°21'45"	L=1.35'
②	R=88.58'	Δ=22°01'49"	L=34.06'
③	R=59.06'	Δ=20°17'35"	L=20.92'
④	R=1926.13'	Δ=1°44'14"	L=58.40'
⑤	R=59.06'	Δ=19°50'55"	L=20.46'
⑥	R=88.58'	Δ=21°31'33"	L=33.28'

- LEASE AREAS
- OPTIONAL LEASE AREAS

DRAWINGS		
DWG. NO.	PAGE	DATE
D-416d	1	6-18-22
M-975	1	8-12-68
M-1175	1-3	6-26-70
M-1586	1-2	6-29-76
M-1734	1	10-3-80
A-1567	1-2	7-23-92

FIELD WORK		
BOOK	PAGE	DATE
L1105	44-55	12-5-83

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.
 LAKEWOOD BOULEVARD SOUTH OF DONALD DOUGLAS DRIVE

AIRPORT LEASE PARCEL B-14
LEGAL DESCRIPTION

That portion of Lot 65, Tract No. 8084 in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 171, Pages 24 through 30 of Maps in the office of the County Recorder of said County, described as follows:

Beginning at the northwesterly corner of said Lot 65; thence South $0^{\circ} 05' 37''$ West, along the westerly line of said Lot 65, 660.00 feet; thence South $89^{\circ} 54' 07''$ East 360.00 feet to the TRUE POINT OF BEGINNING; thence continuing South $89^{\circ} 54' 07''$ East 329.95 feet; thence North $0^{\circ} 05' 53''$ East 300.00 feet; thence South $89^{\circ} 53' 57''$ East 233.41 feet; thence South $0^{\circ} 06' 03''$ East 598.10 feet; thence North $89^{\circ} 54' 23''$ West 563.30 feet; thence North $0^{\circ} 05' 37''$ East 298.16 feet to the TRUE POINT OF BEGINNING.

Said Parcel contains 5.46 acres.

AIRPORT LEASE PARCEL B-17
LEGAL DESCRIPTION

That portion of Lot 65, Tract No. 8084 in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 171, Pages 24 through 30 of Maps in the office of the County Recorder of said County, described as follows:

Beginning at the northwesterly corner of said Lot 65; thence South $0^{\circ} 05' 37''$ West, along the westerly line of said Lot 65, 660.00 feet; thence South $89^{\circ} 54' 07''$ East 360.00 feet; thence south $0^{\circ} 05' 37''$ West 298.16 feet to the True Point of Beginning; thence South $89^{\circ} 54' 23''$ East 578.65 feet; thence South $2^{\circ} 01' 34''$ West 383.95 feet to the beginning of a tangent curve concave to the west having a radius 301.84 feet and a central angle $9^{\circ} 58' 45''$; thence southerly along said curve 52.57 feet to the beginning of a tangent reverse curve concave to the east and to which a radial bears North $77^{\circ} 59' 41''$ West; said curve having a radius 321.52 feet and a central angle $11^{\circ} 54' 16''$; thence southerly along said curve 66.80 feet to a tangent line; thence South $0^{\circ} 06' 03''$ West 137.83 feet; thence North $89^{\circ} 54' 23''$ West 169.22 feet; thence North $0^{\circ} 05' 37''$ East 415.00 feet; thence North $44^{\circ} 54' 23''$ West 28.28 feet; thence North $89^{\circ} 54' 23''$ West 363.22 feet; thence North $0^{\circ} 05' 37''$ East 205.00 feet to the true point of beginning.

Said parcel contains 4.49 acres.

AIRPORT LEASE PARCEL B-13
LEGAL DESCRIPTION

That portion of Lot 65, Tract No. 8084 in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 171, Pages 24 through 30 of Maps in the office of the County Recorder of said County, described as follows:

Beginning at the northwesterly corner of said Lot 65; thence South $0^{\circ} 05' 37''$ West, along the westerly line of said Lot 65, 660.00 feet; thence south $89^{\circ} 54' 07''$ East 360.00 feet to the TRUE POINT OF BEGINNING; thence continuing South $89^{\circ} 54' 07''$ East 329.95 feet; thence North $0^{\circ} 05' 53''$ East 300.00 feet; thence North $89^{\circ} 54' 07''$ West 19.95 feet; thence North $0^{\circ} 05' 53''$ East 153.39 feet; thence North $89^{\circ} 54' 07''$ West 310.00 feet; thence South $0^{\circ} 05' 53''$ West 453.39 feet to the True Point of Beginning.

Reserving an access easement on the easterly 15.00 feet of the southerly 300.00 feet, and the southerly 15.00 feet of said parcel.

Said parcel contains 3.36 acres.

AIRPORT LEASE PARCEL B-16
LEGAL DESCRIPTION

That portion of Lot 65, Tract No. 8084 in the City of Long Beach, County of Los Angeles, State of California, as per map filed in Book 171, Pages 24 through 30 of Maps in the office of the County Recorder of said County, described as follows:

Beginning at the northwesterly corner of said Lot 65; thence South $0^{\circ} 05' 37''$ West, along the westerly line of said Lot 65, 660.00 feet; thence South $89^{\circ} 54' 07''$ East 360.00 feet; thence North $0^{\circ} 05' 37''$ East 112.39 feet; thence North $89^{\circ} 54' 07''$ West 150.29 feet to the True Point of Beginning; thence South $0^{\circ} 05' 37''$ West 111.18 feet; thence North $89^{\circ} 54' 07''$ West 260.00 feet; thence North $0^{\circ} 05' 37''$ East 235.00 feet; thence South $89^{\circ} 54' 07''$ East 260.00 feet; thence south $0^{\circ} 05' 37''$ West 123.82 feet to the True Point of Beginning.

Said Parcel contains 1.40 acres

AASI
Parking Lot
Landscape Improvement and
Maintenance Area

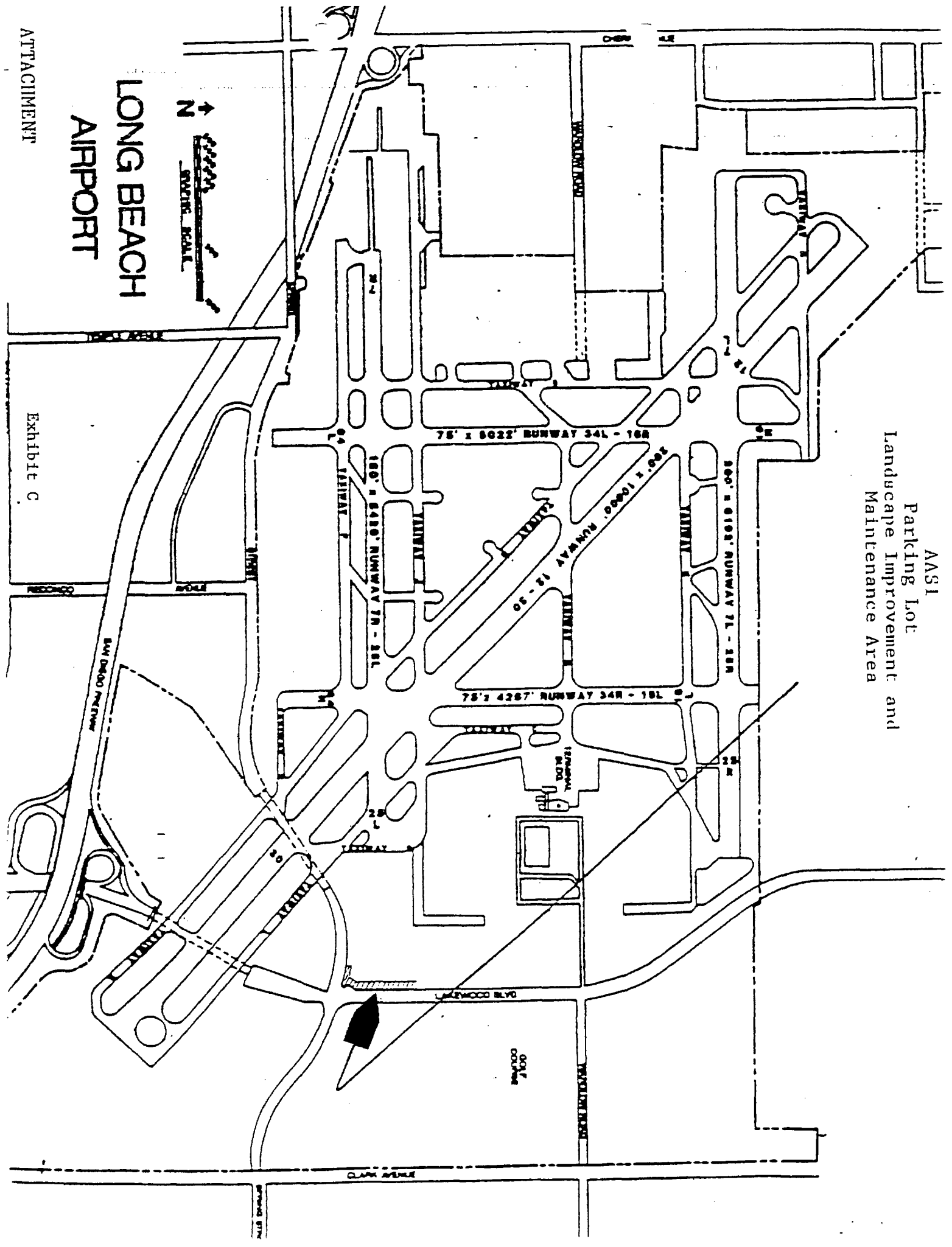


Exhibit C

LONG BEACH
AIRPORT

ATTACHMENT

Exhibit "D"

FEDERAL AVIATION ADMINISTRATION ASSURANCES

1. The Lessee for itself, its heirs, personal representatives, successors in interest as a part of the consideration hereof, does hereby covenant and agree that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this Lease for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

2. The Lessee for itself, its personal representatives, successors in interest, as a part of the consideration hereof, does hereby covenant and agree that: (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subject to discrimination, (3) that the Lessee - shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

3. In the event of breach of any of the above nondiscrimination covenants, the City of Long Beach shall have the right to terminate the Lease and to reenter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed including expiration of appeal rights.

4. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service; PROVIDED, THAT the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to volume purchasers.

5. Non-compliance with Provision 4 shall constitute a material breach thereof, and in the event of such non-compliance, the City of Long Beach shall have the right to terminate this Lease and the estate hereby created without liability therefore or at the election of the City of Long Beach or the United States either or both said Governments shall have the right to judicially enforce provisions.

6. Lessee agrees that it shall insert the previous five provisions in any contract by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein leased.

7. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex

Exhibit "D"

be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. The Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

8. "This Lease is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR part 23, subpart F. The Lessee agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, or sex in connection with the award of performance of any permit agreement covered by 49 CFR part 23, subpart F." The Lessee agrees to include the above statements in any subsequent concession and sublease agreements that it enters and cause those businesses to similarly include the statements in further agreements.

9. The City of Long Beach reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of the Lessee and without interference or hindrance.

10. The City of Long Beach reserves the right, but shall not be obligated to the Lessee to maintain and keep in repair the landing area of Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of the Lessee in this regard.

11. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the City of Long Beach and the United States, relative to the development, operation or maintenance of the Airport.

12. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event of future construction of a building is planned for the licensed premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.

13. Lessee will not hereafter erect, alter, extend, maintain or grow, or permit the erection, alteration, extension, maintenance or growth of any building, structure, lines, stacks, trees, vegetation, terrain or other objects or activity whether permanent or temporary, including equipment or materials in the airspace above the established imaginary surfaces over said premises, pursuant to the provisions of FAR Part 77.

14. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349a).

Exhibit "D"

15. There is hereby reserved to the City of Long Beach, 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 premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation of flight through the said airspace or landing at, taking off from or operation on the Long Beach Airport.

16. The Lessee by accepting this Lease agrees for itself, and its successors that it will not make use of the leased premises in any manner which might interfere with the landing and taking off of aircraft from Long Beach Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the owner reserves the right to enter upon the premises hereby leased and cause the abatement of such interference at the expense of the Lessee.

17. *This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

*If the Airport is not subject to the National Emergency Use Provision generally contained in Surplus Property Instruments of Disposal, Paragraph 14 above may be modified to exclude that portion of the provision "or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency."

EXHIBIT "C"

Schedule of Base Rent

<u>Year</u>	<u>Monthly Base Rent</u>
1	\$105,388.76
2	\$107,496.54
3	\$109,646.47
4	\$111,839.40
5	\$114,076.18
6	\$116,357.71
7	\$118,684.86
8	\$121,058.56
9	\$123,479.73
10	\$125,949.32
11	\$128,468.31
12	\$131,037.68
13	\$133,658.43
14	\$136,331.60
15	\$139,058.23
16	\$141,839.40
17	\$144,676.18
18	\$147,569.71
19	\$150,521.10
20	\$153,531.52
21	\$156,602.15
22	\$159,734.20
23	\$162,928.88
24	\$166,187.46
25	\$169,511.21
26	\$172,901.43
27	\$176,359.46
28	\$179,886.65
29	\$183,484.38
30	\$187,154.07

APPROVED AS TO FORM

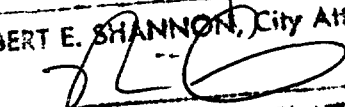
5/21, 2007
ROBERT E. SHANNON, City Attorney
By 
DEPUTY CITY ATTORNEY

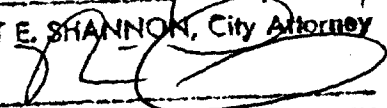


EXHIBIT "D"

The Plans

[to be attached]

APPROVED AS TO FORM

5/21, 2007
ROBERT E. SHANNON, City Attorney
By 
DEPUTY CITY ATTORNEY

CJA
Initials



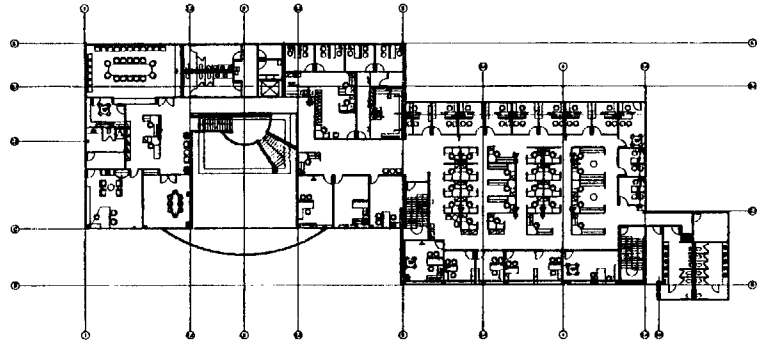

OK

APPROVED AS TO FORM

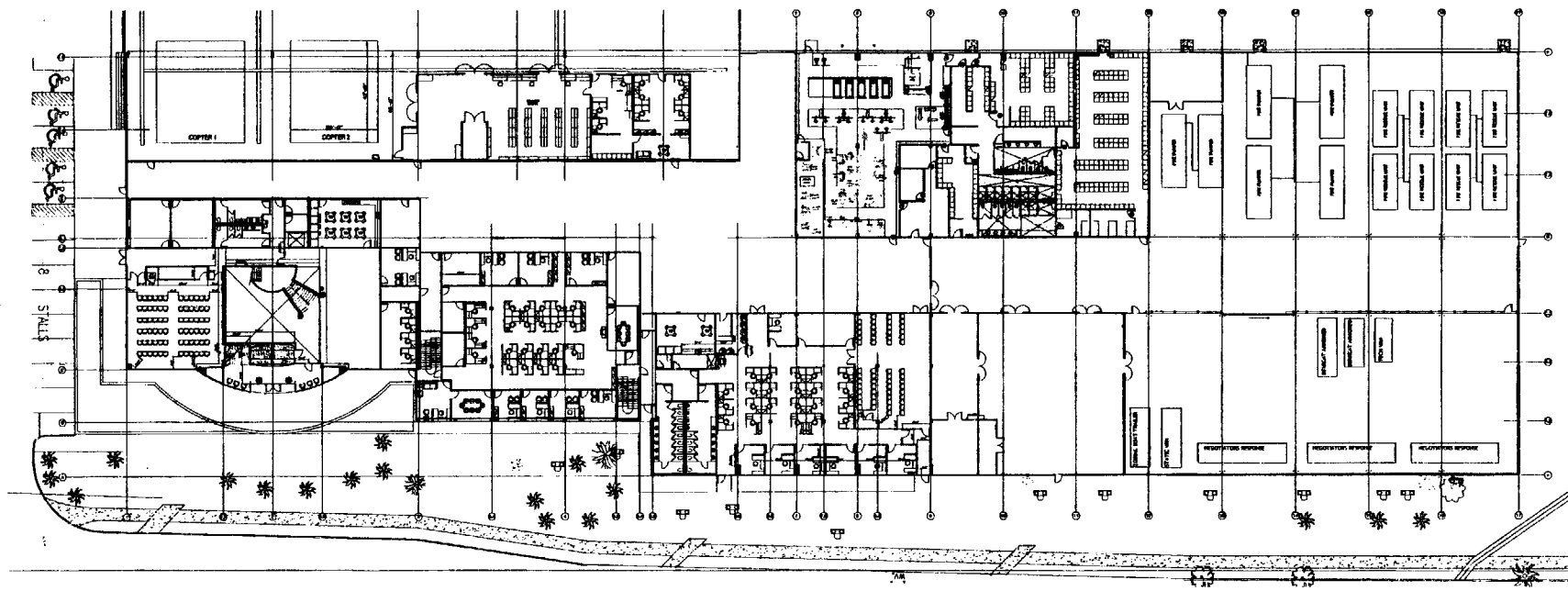
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ROBERT E. SPANNING, City Attorney

BY *[Signature]*
DEPUTY CITY ATTORNEY



SECOND FLOOR



GROUND FLOOR

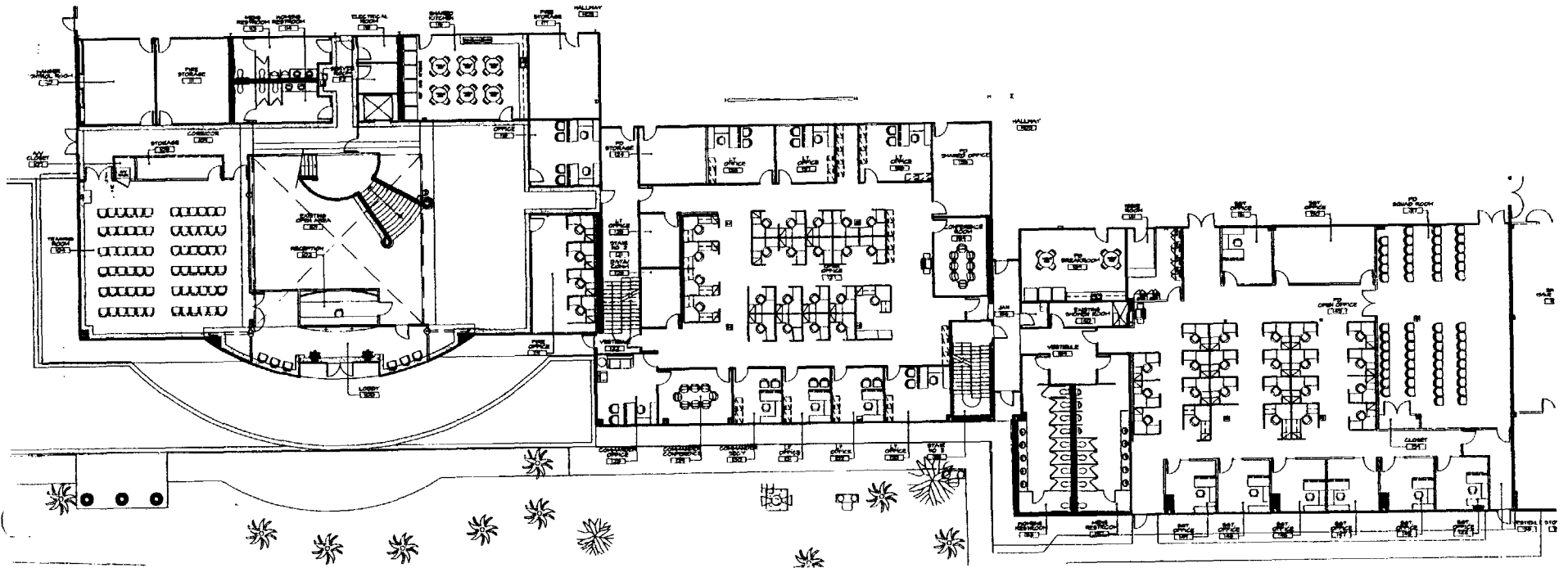


APPROVED AS TO FORM

5/23, 2007

ROBERT E. SHANNON, City Attorney

By 
DEPUTY CITY ATTORNEY



FIRST FLOOR OFFICES



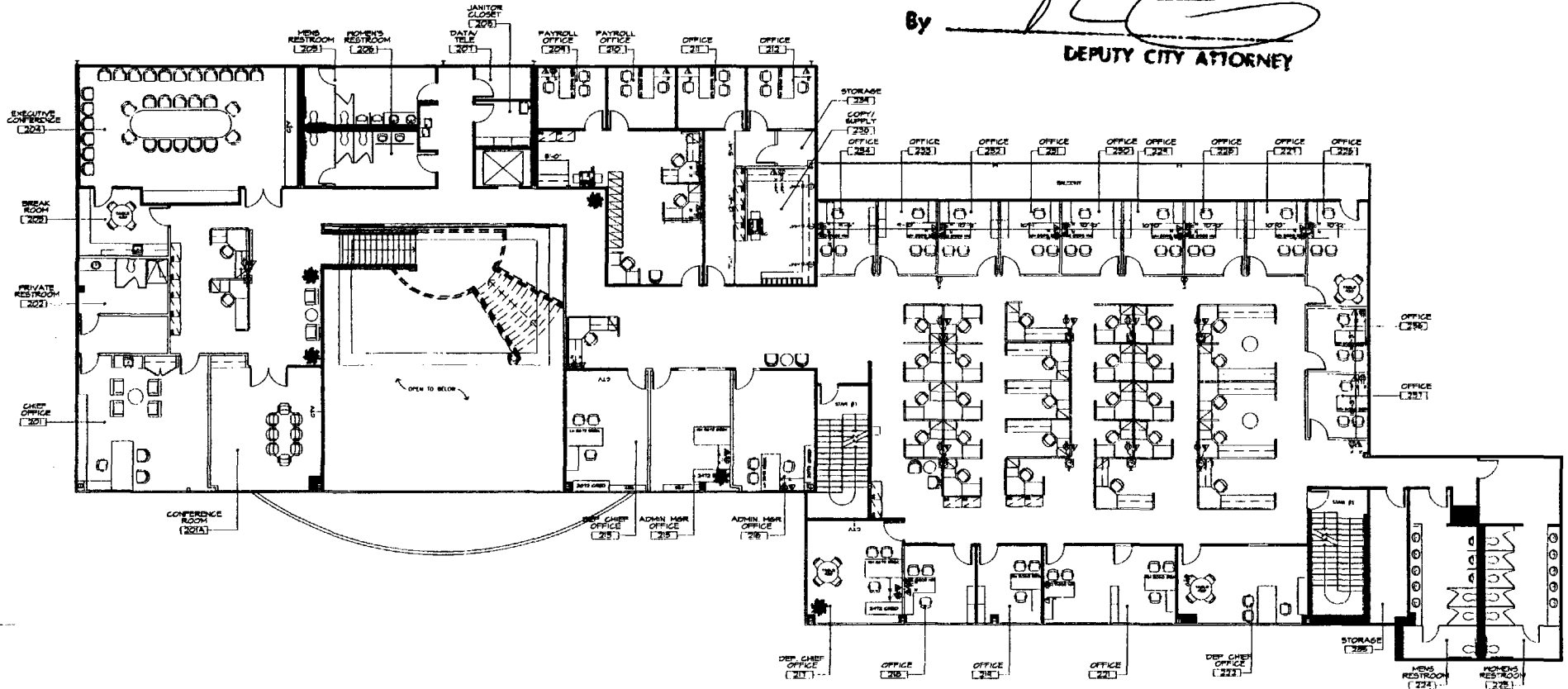
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APPROVED AS TO FORM

5/23, 2007

ROBERT E. SHANNON, City Attorney

By *[Signature]*
DEPUTY CITY ATTORNEY



SECOND FLOOR

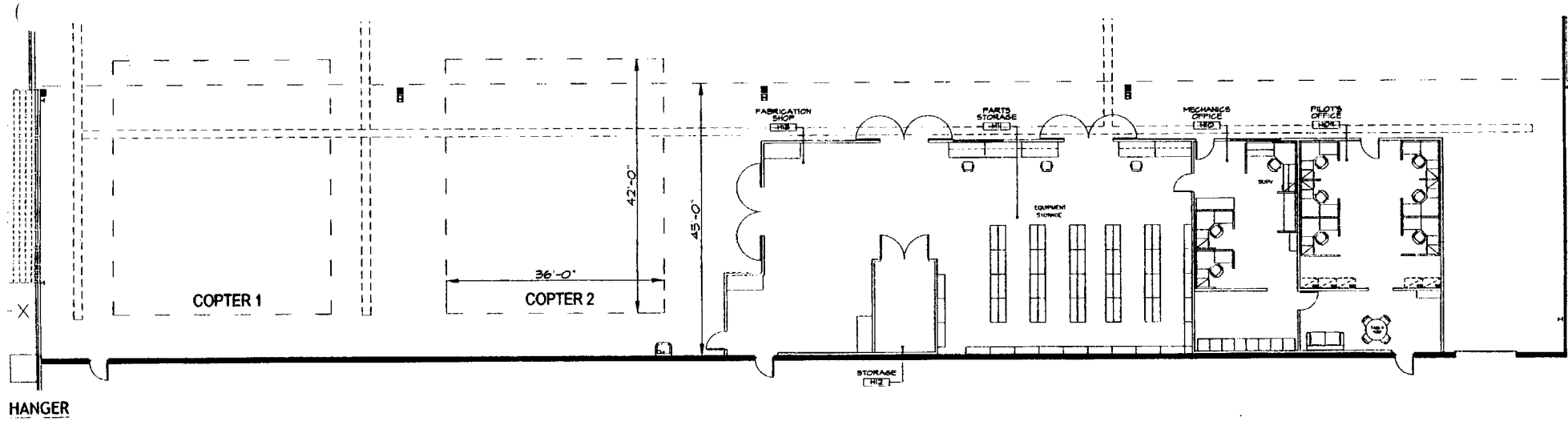


APPROVED AS TO FORM

5/23, 2007

ROBERT E. SHANNON, City Attorney

By *[Signature]*
DEPUTY CITY ATTORNEY





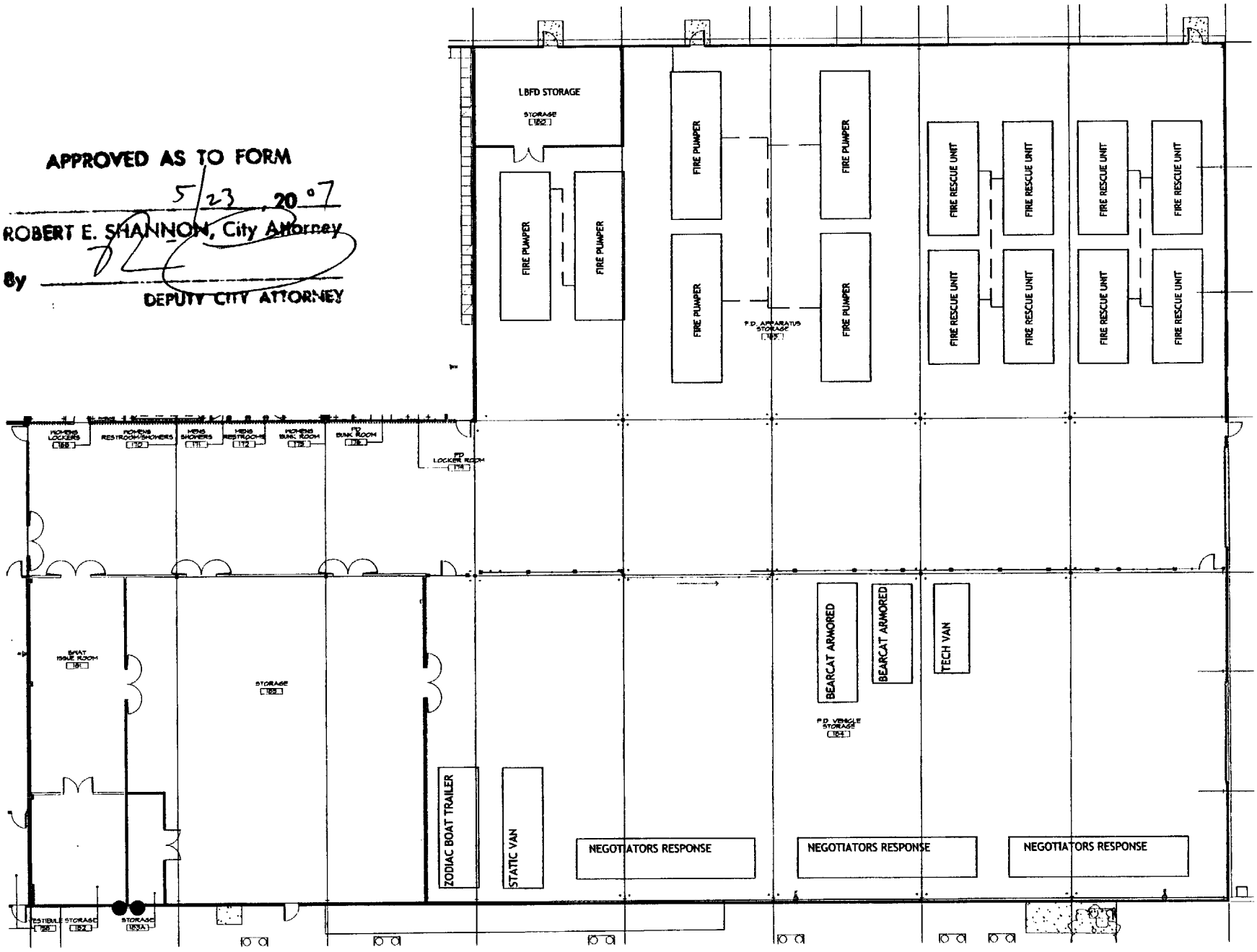
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APPROVED AS TO FORM

5/23, 2007

ROBERT E. SHANNON, City Attorney

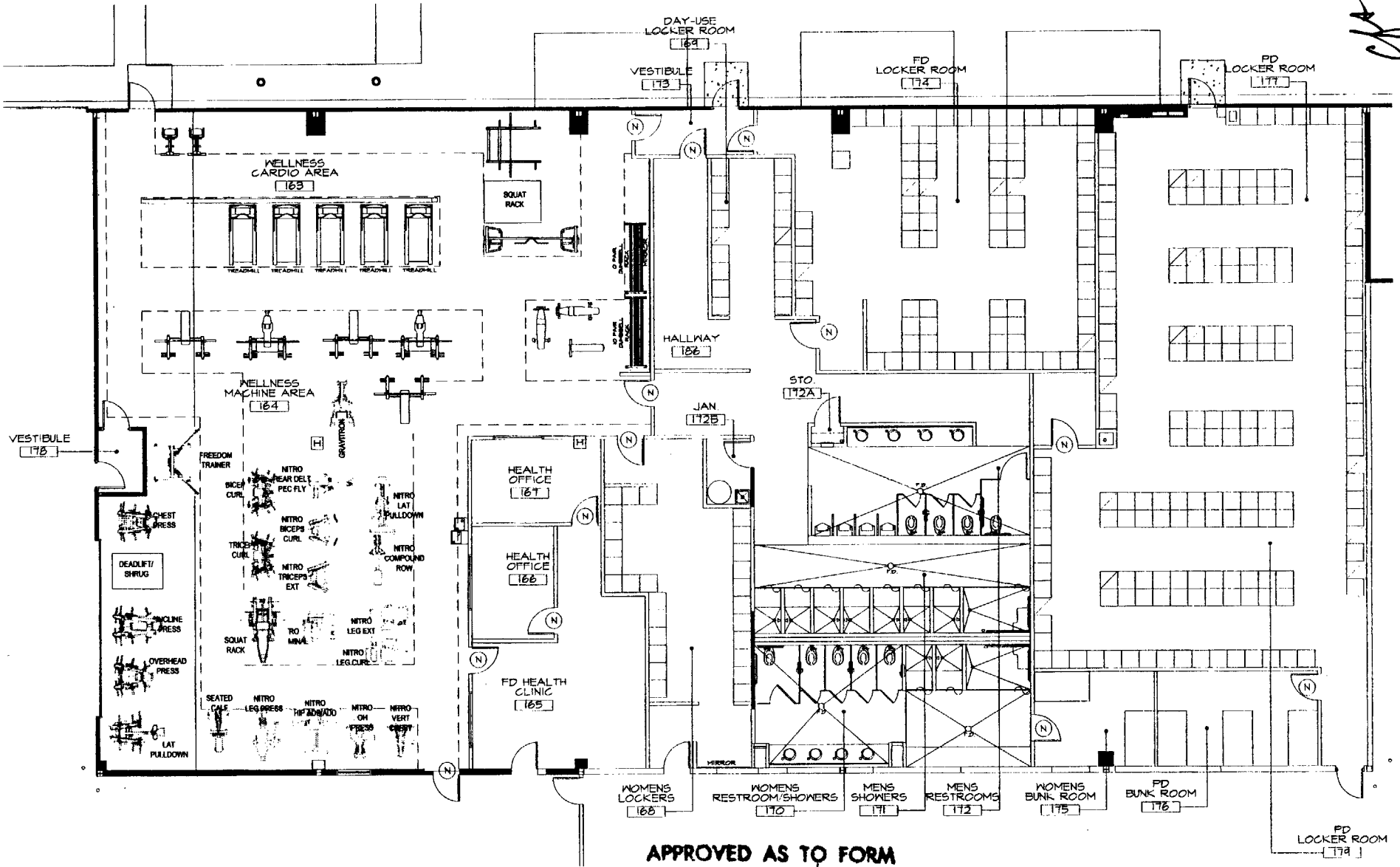
By *[Signature]*
DEPUTY CITY ATTORNEY



WAREHOUSE



CS



APPROVED AS TO FORM

5/23, 2007

ROBERT E. SHANNON, City Attorney

By *[Signature]*
DEPUTY CITY ATTORNEY

WELLNESS CENTER/LOCKER ROOMS

EXHIBIT "E"

Notice of Lease Term Dates

Date: _____, _____

Re: That certain Lease dated as of _____ (the "Lease") **AP-LONG BEACH AIRPORT LLC, a Delaware limited liability company** ("Lessor"), and **THE CITY OF LONG BEACH, a municipal corporation** ("Lessee"), whereby Lessee leases from Lessor a total of 114,553 rentable square feet of space of located 3205 Lakewood Boulevard, Long Beach, California.

In accordance with the above Lease, the parties desire to mutually advise and/or confirm as follows:

1. That, as of the date of this Notice, _____ rentable square feet of the Premises (as more specifically shown on Exhibit "1" attached hereto) have been delivered to Lessee by Lessor and accepted by Lessee with all Leasehold Improvement work applicable to such space to be performed by Lessor Substantially Completed in accordance with the Lease.
2. That Lessee is in possession of the above described portion of the Premises and acknowledges that under the provisions of the Lease, the date of the commencement of Lessee's obligation to pay Rent for such portion of the Premises is hereby established to be _____.
3. That, including that portion of the Premises shown on Exhibit "1" attached hereto, Lessee is now in possession of a total of _____ square feet of the Premises, and is obligated to pay, in accordance with the terms and provisions of the Lease, \$ _____ per month for such space.
4. That the Schedule of Base Rent attached as Exhibit "2" hereto shall replace that certain Schedule of Base Rent attached as Exhibit "C" to the Lease.

The parties hereto have executed this document on the date first set forth above:

LESSOR:

LESSEE:

AP-LONG BEACH AIRPORT LLC, a Delaware limited liability company

THE CITY OF LONG BEACH, a municipal corporation

By: Abbey-Properties II LLC, a California limited liability company
Its: Managing Member

By: _____

By: _____

Dated: _____, _____

Name: _____

Its: _____

The foregoing Notice is hereby approved as to form this _____ day of _____, _____

By: _____

APPROVED AS TO FORM

5/21, 2007

 ROBERT E. SHANNON, City Attorney
 By: _____
 DEPUTY CITY ATTORNEY

Initials
 cjs
