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ASSIGNMENT AND ASSUMPTION OF TENANT'S INTEREST IN LEASE AND
CONSENT OF LANDLORD THERETO

25418

THIS ASSIGNMENT AND ASSUMPTION OF TENANT'S INTEREST IN LEASE AND CONSENT OF LANDLORD THERETO (the "Assignment") is entered into this 21ST day of MAY, 1999 ("Effective Date"), by and between ADVANCED AERODYNAMICS & STRUCTURES, INC., a Delaware corporation ("Assignor" or "AASI"), AP LONG BEACH AIRPORT LLC, a Delaware limited liability company ("Assignee" or "APL"), and the CITY OF LONG BEACH, a Municipal corporation ("City" or "Landlord").

RECITATIONS OF FACT

A. AASI is the Tenant and City is the Landlord under that certain lease titled "Long Beach Municipal Airport Lease," dated October 17, 1997, as amended by that certain Amendment to Lease dated April 27, 1999 (collectively the "Lease"), pursuant to which City leases to AASI certain real property near the Long Beach Airport commonly known as 3205 Lakewood Boulevard, Long Beach, California (the "Leased Premises"). A true and correct copy of said Lease is attached hereto as Exhibit A, and the terms of the Lease are incorporated herein by reference.

B. APL is purchasing, and AASI is selling, all of AASI's right, title and interest under the Lease, and all improvements located on the Leased Premises (the "Improvements"). As part of this transaction, effective as of the Effective Date, APL desires to assume AASI's obligations under the Lease on the terms and conditions hereinafter specified. The Lease requires that the City consent to this Assignment.

C. APL, after purchase of the improvements and all of AASI's right, title and interest under the Lease, will sublease the Leased Premises and the Improvements to AASI pursuant to a

written sublease (the "Sublease"). A true and correct copy of the form of the Sublease is attached hereto as Exhibit B. The Lease also requires Landlord's consent to said Sublease.

NOW, THEREFORE, in consideration of the recitations of fact and other good and valuable consideration, as of the Effective Date, AASI assigns all its right, title and interest under the Lease to APL, and APL assumes all the obligations of AASI under the Lease, subject to the terms and conditions hereinafter set forth.

1. Assignment and Assumption

As of the Effective Date, AASI assigns, transfers and conveys all of its right, title and interest in and to the Lease to APL which agrees to and accepts the assignment. APL expressly assumes and agrees from and after the Effective Date to keep, perform, and fulfill all of the terms, covenants, conditions and obligations, required to be kept, performed, and fulfilled by Assignor as Tenant under the Lease, including the making of all payments due to or payable on behalf of Landlord under the Lease when payable.

2. City's Consent to Assignment, Assumption and Sublease

City hereby consents to AASI's assignment of all of its right, title and interest under the Lease to APL, and APL's assumption of all the obligations of AASI under the Lease. City further consents to APL's sublease of the Leased Premises to AASI pursuant to the terms of the Sublease.

3. Tenant's Change of Address The City acknowledges and agrees that as of the Effective Date, notices to Tenant pursuant to Section 18 of the Lease shall be addressed to:

AP-Long Beach Airport LLC
c/o Abbey Properties LLC
12383 Lewis Street, Suite 200
Garden Grove, California 92840-4643
Attention: Donald G. Abbey
Fax No. (714) 740-8801

With a copy to:

David J. Gullen, Esq.
Nelson Gullen Bronson & Katz, LLP
2029 Century Park East, Suite 2700
Los Angeles, California 90067
Fax No. (310) 556-1422

4. Nondisturbance and Attornment

So long as AASI complies with the Sublease and is not in default under any of the terms, covenants, or conditions of the Sublease, in the event of a forfeiture of the Lease by Assignee due to a default by Assignee under the Lease that is not cured as provided in the Lease, the Sublease shall continue in full force and effect, notwithstanding any such forfeiture, as between City and AASI, upon and subject to all of the terms, covenants, and conditions of the Sublease for the balance of the term of the Lease and Sublease, including renewals or extensions thereof, if any. AASI hereby agrees to attorn to and accept City as successor landlord under the Sublease, and to be bound by and perform all of the obligations imposed on Sublessee by the Sublease. City and any such successor owner of the Property will not disturb the possession of AASI, and will be bound by all of the obligations imposed on the Assignee by the Sublease during the period of time City or any such successor owner is the owner of the Property. In the event that Assignee forfeits its rights under the Lease and City is both Landlord under the Lease and Sublessor under the Sublease, pursuant to the terms in this paragraph, no merger of the Lease and Sublease shall occur, by operation of law or otherwise.

5. Other Terms and Conditions of Lease Unmodified

Other than as expressly set forth herein, the other terms and conditions of the Lease are unmodified, and remain in full force and effect.

6. Counterparts. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The Assignment shall not be effective until the execution and delivery between each of the parties of at least one set of counterparts. The parties authorize each other to detach and combine original signature pages and consolidate them into a single identical original. Any one of such completely

executed counterparts shall be sufficient proof of this Assignment.

7. Recording. This Assignment shall be recorded in the Official Records of the Los Angeles County, California.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first above written.

ASSIGNEE:

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

By: [Signature]
Its: President

By: _____
Its: _____

ASSIGNOR:

ADVANCED AERODYNAMICS &
& STRUCTURES, INC., a
Delaware corporation

By: [Signature]
Its: President

By: [Signature]
Its: EXECUTIVE VP

LANDLORD:

CITY OF LONG BEACH,
a municipal corporation

By: [Signature]
Its: ASSISTANT CITY MANAGER

EXECUTED PURSUANT
TO SECTION 301 OF
THE CITY CHARTER.

15 The foregoing assignment is approved as to form this
day of May, 1999.

ROBERT SHANNON, City Attorney

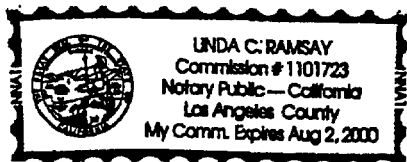
By: [Signature]
Deputy

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On MAY 18, 1999, before me, LINDA C. RAMSAY, personally appeared GERALD R. MILLER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) ~~is~~ is are subscribed to the within instrument and acknowledged to me that ~~he~~ he ~~she~~ she /they executed the same in ~~his~~ his /~~her~~ her /~~their~~ their authorized capacity(ies), and that by ~~his~~ his /~~her~~ her /~~their~~ 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.



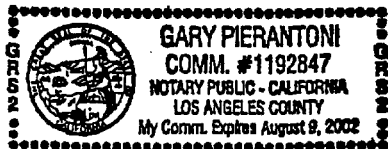
Linda C. Ramsay
Signature of Notary Public

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On 5-20-99, before me, GARY PIERANTONI, personally appeared EDWARD B. COOPER, JR. & WIFE, 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



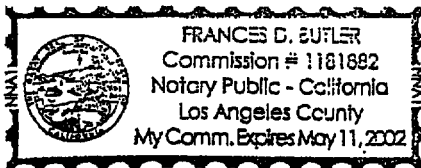
Gary Pierantoni
Signature of Notary Public

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On May 20, 1999, before me, Frances D. Butler, Notary Public, personally appeared Donald G. Abbey, 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.



Frances D Butler
Signature of Notary Public

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On _____, before me, _____, personally appeared _____, 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.

Signature of Notary Public

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On _____, before me, _____, personally appeared _____, 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.

Signature of Notary Public

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

On _____, before me, _____, personally appeared _____, 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.

Signature of Notary Public

Exhibit A

COPY

**LONG BEACH MUNICIPAL AIRPORT LEASE
25418**

**CITY OF LONG BEACH
LANDLORD**

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

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

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

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LEASE

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

(2) Landscape Area.

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

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

(c) Access to Premises. LANDLORD hereby grants TENANT an easement for vehicular and pedestrian ingress and egress over and across the Landscape Area. TENANT assumes the responsibility for the construction of the improvements for vehicular and pedestrian ingress and egress across the Landscape Area at such locations as approved by City in connection with its approval of the Site Plan. The parties contemplate that the State of California ("State") will take all or a portion of the Landscape Area for use in widening Lakewood Boulevard ("Widening Project"). LANDLORD shall be entitled to any condemnation award paid by the State in 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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TENANT. LANDLORD shall approve or disapprove of the Plan within thirty (30)- days from the date the Plan are received by LANDLORD. Failure by LANDLORD to either approve or disapprove the Plan within the time allowed shall be deemed an approval. Any disapproval shall state in writing the reasons for disapproval and changes which LANDLORD requests to be made.

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

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

(d) Approvals. TENANT, at its sole cost and 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

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

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

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

C. RENT CREDITS

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

(a) Interest shall accrue on the amount of the Remediation Credit at the rate of eight (8%) percent per annum 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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(vi) "Improvements" refers to all works of improvement constructed or to be constructed on the Premises in connection with the Project.

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

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

(ix) "Sales Tax Increment" shall mean that portion of the Sales Taxes, if any, levied by City upon taxable sales and uses on the Premises attributable to the operations of TENANT after the Completion Date pursuant to an ordinance adopted by City, which Sales Taxes, when collected, are allocated and paid to, and actually received by, City, less any amounts received earlier by City which are to be refunded to TENANT because of an overpayment of Sales Taxes. Sales Tax Increment shall not include Sales Taxes generated by an entity other than TENANT, Penalty Assessments, any Sales Taxes levied by, collected for or allocated to the State of California, the County of Los Angeles, a district or any other entity, or any funds paid, granted or allocated to City by the State of California, the County of Los Angeles, a district or any other entity, notwithstanding that such funds received by City are 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

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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F. ZONING

The Premises are presently zoned PD-2.

G. PROPERTY OF CITY

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

H. LIENS

(1) Subject to TENANT's right to contest the same as hereinafter provided, TENANT agrees that it will pay as soon as due all mechanics, laborers, materialmen, contractors, subcontractors or similar charges, and all other charges of whatever nature which may become due, attached to or payable on said property or any part thereof or any building, structure or other improvements thereon, from and after the date as of which this Lease is executed. Nothing herein contained shall in any respect make TENANT the agent of the LANDLORD, or (except as otherwise specifically provided in this Lease), authorize TENANT to do any act or to make any contract encumbering or in any manner affecting the title or 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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1 6. OPERATION OF BUSINESS

2 A. OPERATION OF BUSINESS

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

12 B. AUTHORIZED REPRESENTATIVE

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

22 C. COMPLIANCE WITH LAW

23 No improvements or structures either permanent, temporary
24 or portable, shall be erected, placed upon, operated or maintained
25 on the Premises, nor shall business or any other activity be
26 conducted or carried on, in, onto, or from the Premises in
27 violation of the terms of this Lease or any duly adopted rules,
28 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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1 9. ASSIGNMENT AND SUBLETTING

2 A. CONSENT

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

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

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

19 (4) Except as otherwise provided herein, if TENANT
20 is a partnership or joint venture, a withdrawal, addition or
21 change (voluntary, involuntary, by operation of law, or
22 otherwise) of any of the partners or adventurers thereof, or
23 if TENANT is composed of more than one person, a purported
24 assignment or transfer (voluntary or involuntary, by operation
25 of law, or otherwise) from one thereof unto the other or
26 others thereof, or if TENANT be a corporation, a change in the
27 ownership (voluntary, involuntary, or by operation of law, or
28 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.

28 /

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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

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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.

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E. IN LIEU PERFORMANCE

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

14. BULLETIN BOARD

A. BULLETIN BOARD

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

B. BILLBOARDS AND SIGNS

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

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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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(562) 570-2200

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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City Attorney of Long Beach
333 West Ocean Boulevard
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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

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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
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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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City Attorney of Long Beach
333 West Ocean Boulevard
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
Long Beach, California 90808
Attention: Airport Manager

26 WITH A COPY TO

27 City of Long Beach
Office of City Attorney
333 West Ocean Boulevard
Long Beach, California 90802
28 Attention: City Attorney

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

1 TENANT

Advanced Aerodynamics and Structures, Inc.
3501 Lakewood Boulevard
2 Long Beach, California 90808
Attention: Gene Comfort

3 WITH A COPY TO

Timothy C. Cameron, Esq.
4 CAMERON, MADDEN, PEARLSON & GALE
One World Trade Center, Suite 1600
5 Long Beach, CA 90837-1600

6 L. TIME

7 Time is of the essence of this Lease.

8 M. PROHIBITION AGAINST RECORDING LEASE

9 RECORDABLE MEMORANDUM OF LEASE

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

17 N. QUIET POSSESSION

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

25 O. TERMINATION OF PRIOR AGREEMENTS

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

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

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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.

/
/
/
/

CALIFORNIA ALL-PURF SE ACKNOWLEDGMENT

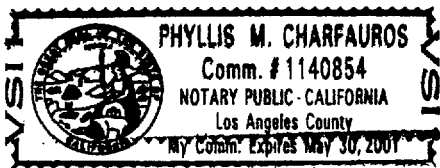
State of California

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

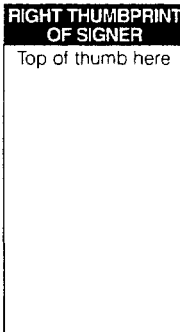
Document Date: October 1997 Number of Pages: 91

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

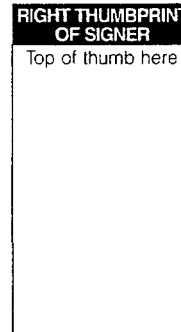
- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



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

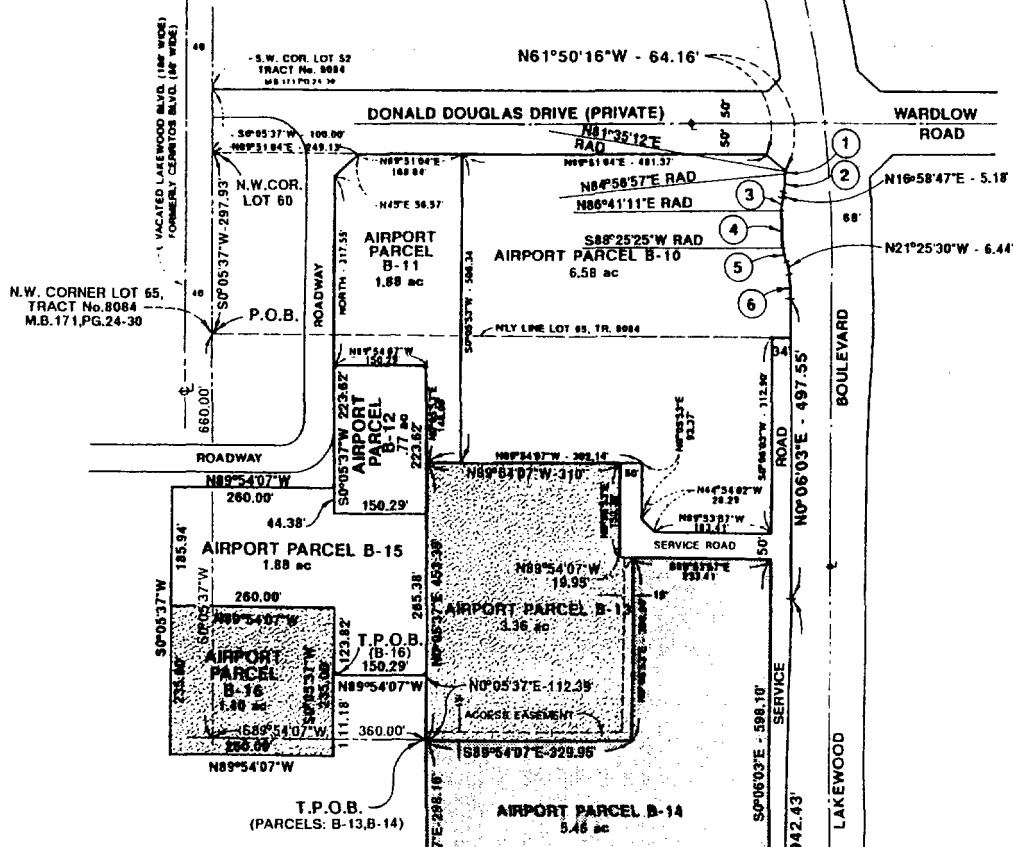
17th day of October, 1997.

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



- 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

NOTE: WESTERLY LINE OF LAKEWOOD BLVD. ESTABLISHED PER CALTRANS RIGHT-OF-WAY MAP FOR DISTRICT 7-LA-19 DATED 6-30-97

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° 05' 37" West, along the westerly line of said Lot 65, 660.00 feet; thence South 89° 54' 07" East 360.00 feet to the TRUE POINT OF BEGINNING; thence continuing South 89° 54' 07" East 329.95 feet; thence North 0° 05' 53" East 300.00 feet; thence South 89° 53' 57" East 233.41 feet; thence South 0° 06' 03" East 598.10 feet; thence North 89° 54' 23" West 563.30 feet; thence North 0° 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° 05' 37" West, along the westerly line of said Lot 65, 660.00 feet; thence South 89° 54' 07" East 360.00 feet; thence south 0° 05' 37" West 298.16 feet to the True Point of Beginning; thence South 89° 54' 23" East 578.65 feet; thence South 2° 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° 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° 59' 41" West; said curve having a radius 321.52 feet and a central angle 11° 54' 16"; thence southerly along said curve 66.80 feet to a tangent line; thence South 0° 06' 03" West 137.83 feet; thence North 89° 54' 23" West 169.22 feet; thence North 0° 05' 37" East 415.00 feet; thence North 44° 54' 23" West 28.28 feet; thence North 89° 54' 23" West 363.22 feet; thence North 0° 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° 05' 37" West, along the westerly line of said Lot 65, 660.00 feet; thence south 89° 54' 07" East 360.00 feet to the TRUE POINT OF BEGINNING; thence continuing South 89° 54' 07" East 329.95 feet; thence North 0° 05' 53" East 300.00 feet; thence North 89° 54' 07" West 19.95 feet; thence North 0° 05' 53" East 153.39 feet; thence North 89° 54' 07" West 310.00 feet; thence South 0° 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° 05' 37" West, along the westerly line of said Lot 65, 660.00 feet; thence South 89° 54' 07" East 360.00 feet; thence North 0° 05' 37" East 112.39 feet; thence North 89° 54' 07" West 150.29 feet to the True Point of Beginning; thence South 0° 05' 37" West 111.18 feet; thence North 89° 54' 07" West 260.00 feet; thence North 0° 05' 37" East 235.00 feet; thence South 89° 54' 07" East 260.00 feet; thence south 0° 05' 37" West 123.82 feet to the True Point of Beginning.

Said Parcel contains 1.40 acres

ATTACHMENT

LONG BEACH AIRPORT



AASI
Parking Lot
Landscape Improvement and
Maintenance Area

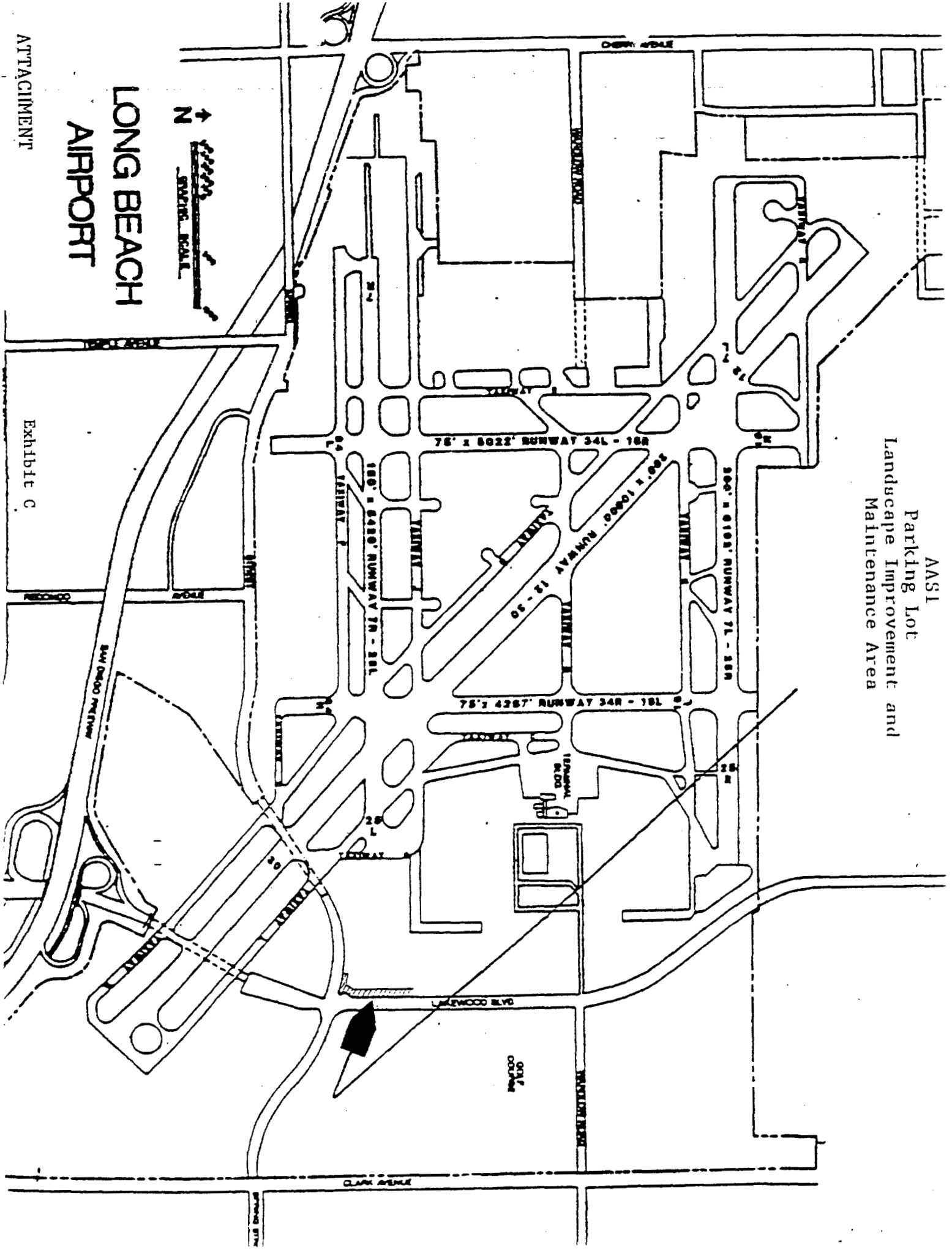


Exhibit C

CLARK AVENUE

LAKWOOD BLVD

0014
0015

TERMINAL
BLDG

DECK #304E

REPAIR ROAD

TAXIWAY

75' x 8022' RUNWAY 34L - 16R

180' x 8480' RUNWAY 7R - 55L

500' x 8108' RUNWAY 7L - 55R

100' x 1000' RUNWAY 18 - 30

75' x 4267' RUNWAY 34R - 16L

34W DESIGN PAVEMENT

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."

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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 17 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: EXECUTIVE VP

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

ROBERT SHANNON, City Attorney

By: [Signature]
Deputy