

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

SECOND AMENDMENT
TO
LONG BEACH MUNICIPAL AIRPORT LEASE
25418

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

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

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

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

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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

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

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

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

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

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

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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

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

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

1 Best and Company, the following insurance:

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

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

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

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

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

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

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

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

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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

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

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

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

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

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

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

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

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

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

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

17 THE CITY OF LONG BEACH, a municipal
18 corporation

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

22 "Landlord"

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

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


28 By [Signature]
Its VP
Dated August 13, 2005, 2005

25 //
26 //
27 //
28 //

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

ROBERT E. SHANNON, City Attorney

By 
Everett L. Glenn, Deputy

Robert E. Shannon
City Attorney of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802-4664
Telephone (562) 570-2200

ELG:rjr/jr 06/30/05 #05-02593
C:\My Documents\00076218.wpd