

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Approve a Second Amendment to Amended and Restated Lease with Torrance Flite Park, LLC

RECOMMENDATION

Recommendation of the City Manager that City Council authorize the Mayor to Execute and the City Clerk to Attest to a Second Amendment to Amended and Restated Lease (C2001-118) by and between the City of Torrance and Torrance Flite Park, LLC for City-owned property located at Torrance Municipal Airport – Zamperini Field.

FUNDING

No funding is required for the requested action.

BACKGROUND

The City of Torrance and the subject tenant entered into a Lease for City-owned property located at Torrance Municipal Airport/Zamperini Field in September 2000. Subsequent to that date an Amended and Restated Lease was adopted April 15, 2003 and a First Amendment to Lease was adopted on October 26, 2004. The First Amendment to Lease adjusted some timelines due to negotiations with the City over the creation of a parking structure. The structure was at the City's request but the transaction was not consummated requiring an adjustment to the timeline.

The proposed Second Amendment to Lease was originally brought before Your Honorable Body on February 26, 2008. There was concern with regard to the proposed increase in size to the restaurant use: 3,000 square feet to 8,500 square feet. This has been removed from the Amendment to Lease before you this evening.

ANALYSIS

Torrance Flite Park (TFP) has been working to move forward on the development of the final phase of their Leasehold development known as the East Parcel. The area to be developed is approximately 5.98 acres. TFP conducted a survey of the parcel and discovered that a portion of the City entryway and gate system encroaches into their parcel. Further, per the survey, it was also discovered that the Robinson development encroaches approximately 15.5 feet into the TFP parcel.

City staff has worked with TFP to resolve the driveway and gate issue, this has been accomplished with an easement over the area required for the driveway and gate system. The Robinson area will be addressed when that phase of development moves forward.

Staff has also added language in the Amendment to clarify that undergrounding of utilities on the East Parcel development is the sole responsibility of the Lessee.

The adjusted timeline is as follows:

ORIGINAL SCHEDULE

East Parcel	Construction Commencement	Construction Completion
Phase 1	12/31/2007	9/30/2008
Phase 2	3/31/2010	3/31/2011

NEW SCHEDULE

East Parcel	Construction Commencement	Construction Completion
Phase 1	01/16/2010	10/15/2010
Phase 2	02/16/2012	11/15/2012

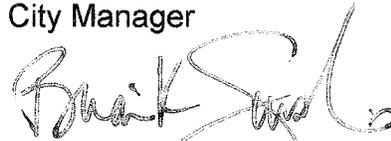
The last modification to the new Second Amendment is a revision to the current Lease termination clause. The current language reads:

“the date that is thirty (30) Lease Years from and after the date that City issues its last certificate of occupancy for the East Parcel Required Improvements, or (ii) March 31, 2041.”

Because of the timeline changes proposed, the Amendment before you this evening includes a timeline termination date of November 15, 2042.

Respectfully submitted,

LeROY J. JACKSON
City Manager



By: Brian K. Sunshine
Assistant to the City Manager

CONCUR:



LeRoy J. Jackson
City Manager

Attachments:

- A) Second Amendment to Amended and Restated Lease
- B) Easement Deed
- C) First Amendment to Amended and Restated Lease (Limited Distribution)
- D) Lease (Limited Distribution)

SECOND AMENDMENT**TO AMENDED AND RESTATED LEASE**

This SECOND AMENDMENT TO AMENDED AND RESTATED LEASE ("Second Amendment") is entered into, effective as of March 25, 2008, by and between the CITY OF TORRANCE, a California municipal corporation ("City"), and TORRANCE FLITE PARK, LLC, a California limited liability company ("Lessee").

A. On or about September 19, 2001, City and Lessee entered into that certain Lease agreement ("Original Lease"), which provides for City to lease to Lessee those certain portions of the Zamperini Field Torrance Municipal Airport more particularly described therein as the "Leased Premises."

B. On or about April 15, 2003, City and Lessee entered into that certain AMENDED AND RESTATED LEASE ("Amended Lease"), which made certain adjustments to the terms of the Original Lease for certain portions of the Zamperini Field Torrance Municipal Airport ("Airport") more particularly described therein as the "Leased Premises."

C. On or about October 26, 2004, City and Lessee entered into FIRST AMENDMENT to the Amended Lease, which made certain adjustments to the terms of the Amended Lease for certain portions of the Airport more particularly described therein as the "Leased Premises." The above three documents, individually and collectively is referred to as the "AGREEMENT".

D. City and Lessee now desire to amend the Original Lease, the AMENDED AND RESTATED LEASE, and the FIRST AMENDMENT to Amended Lease on the terms set forth in this SECOND AMENDMENT.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by both parties, City and Lessee hereby agree as follows:

1. Realignment of Entrance.

The existing entrance road and the intended route for the proposed new road are almost entirely on parcel 11, with a portion extending into parcel 12, of the Airport property. City wishes an easement over the Leased Premises for the area required for the road and gate system. This will be depicted by way of an easement. City and Lessee hereby agree that the easement will be as depicted as "Exhibit A" attached and incorporated to this Second Amendment as Attachment No. 2.

2. East Parcel Conditions and Delivery Dates. The changes described in this Second Amendment require that the dates set forth in the Original Lease and the First Amendment to the Amended and Restated Lease for satisfaction of the East Parcel Conditions and delivery of the East Parcel be modified. City and Lessee hereby agree to amend the Original Lease as follows:

a. East Parcel Conditions. The definition of the term “East Parcel Contingency Date” in Paragraph 1 of the Original Lease is hereby deleted.

The reference to “Paragraph 3B(2)” in Paragraph 3 of the Original Lease is hereby modified to read “Paragraph 3B(1).”

Paragraph 3.B(1) of the Original Lease is hereby modified to read as follows: “The performance of City and Lessee under this Lease with respect to the East Parcel shall be contingent and conditional upon the fulfillment of the following conditions precedent within the prescribed time limits (collectively, the "East Parcel Conditions"): (i) the East Parcel shall be free and clear of any tenants and Structures on August 31, 2008; provided, City shall have an additional period of one hundred twenty (120) days after August 31, 2008 in which to satisfy the foregoing condition so long as City has, prior to August 31, 2008, commenced unlawful detainer proceedings against any tenant who remains in possession of the East Parcel (in which case all dates described in this Paragraph 3.B.2, and the East Parcel construction commencement and completion dates described in Paragraph 10.B.2, shall be extended by an additional period of one hundred (120) days); (ii) Lessee shall have inspected and reasonably approved the physical condition of the East Parcel pursuant to Paragraph 2.B of this Lease on or before the date that is sixty (60) days after the satisfaction of the East Parcel Condition set forth in the preceding clause (i); and (iii) Lessee shall have submitted applications for all governmental approvals for the West Portion/Phase I of East Parcel Required Improvements and City shall be in a position to issue building permits for the West Portion/Phase I of East Parcel Required Improvements, upon Lessee's payment of the applicable fees, on or before January 16, 2010. Lessee shall exercise diligent efforts to satisfy the East Parcel Condition referred to in clause (iii) of the preceding sentence and shall make timely application for all such permits and approvals. In the event that the East Parcel Conditions are not satisfied within the time periods described above, either party shall have the right to terminate this Lease as to the East Parcel pursuant to Paragraph 3C below. If the termination occurs as the result of Lessee's failure to cause either of the East Parcel Conditions set forth in clause (ii) or (iii) of this Paragraph 3.B.2 to be satisfied, Lessee will be subject to the \$316,990 fee referred to in Paragraph 5.A.”

b. Acceptance of Possession. The third sentence of Paragraph 4 of the Original Lease that begins with the words “Notwithstanding the foregoing, Lessee shall” is hereby modified to read as follows: “Notwithstanding the foregoing, Lessee shall have no obligation to accept tender of possession of the East Parcel prior to October 31, 2008. In addition, Lessee shall have the right, by delivery of written notice to City within ten (10) days after receipt of the Notice of Possession for the East Parcel, to notify City that Lessee elects to not take possession of the East Parcel and, in such event, this Lease shall terminate as to the East Parcel and Lessee shall pay to City the \$316,990 fee referred to in Paragraph 5.A of this Lease.”

3. Rent. The dates in the Original Lease for Lessee to commence paying Minimum Basic Rent for the North Portion Option Parcel, the South Portion Option Parcel, and the East Parcel assume Lessee will develop the North Portion Option Parcel with “Concept Plan B” and the South Portion Option Parcel with either “Concept Plan A” or “Concept Plan C.” Since the Option Parcel will not be developed with Concept Plans A, B or C, the dates for Lessee to commence paying Minimum Basic Rent for the Option Parcel and the East Parcel need to be modified, as follows:

East Parcel Minimum Basic Rent. Paragraphs 5.A.4(a) and (b) of the Original Lease are hereby modified to read as follows: “Commencing on the earlier of (i) October 15, 2010, or (ii) the date construction of the first hangar in the West Portion/Phase 1 is completed as evidenced by City’s issuance of its approval of a final inspection authorizing occupancy of said hangar, Minimum Basic Rent shall be increased by the sum of \$5,980 per month [5.98 acres East Parcel x \$1,000]. If the East Parcel Conditions set forth in Paragraph 3.B.1 are satisfied and Lessee takes possession of the East Parcel, but then fails to complete construction of the West Portion/Phase 1 pursuant to Paragraph 10.B.2, then commencing on October 15, 2010, Minimum Basic Rent shall be further increased by the sum of \$2,345 per month [4.69 acres West Portion/Phase 1 x \$1,000 x .5]. If the East Parcel Conditions set forth in Paragraph 3.B.1 are satisfied and Lessee and takes possession of the East Parcel, but then fails to complete construction of the East Portion/Phase 2 pursuant to Paragraph 10.B.2, then commencing on March 31, 2012, Minimum Basic Rent shall be further increased by the sum of \$645 per month [1.29 acres East Portion/Phase 2 x \$1,000 x .5]. In the event the East Parcel Conditions are not satisfied and the failure is caused by Lessee or in the event the East Parcel Conditions are satisfied but Lessee notifies City that Lessee is not taking possession of the East Parcel pursuant to Paragraph 4 of this Lease, then on or before October 31, 2008, Lessee shall pay a one-time fee to City in the amount of \$316,990.”

4. Use of Leased Premises and Required Improvements. Some of the permitted uses and Required Improvements on the East Parcel have changed since the Original Lease was entered into. In addition, Agency has agreed to modify the construction schedule to commence and complete the East Parcel Required Improvements. In order to effectuate these modifications, the Original Lease is hereby modified as follows:

a. East Parcel Required Improvements. The definition of the term “East Parcel Required Improvements” in Paragraph 1 of the Original Lease is hereby amended to read as follows: “East Parcel Required Improvements shall mean the improvements to be constructed and installed by Lessee on the East Parcel that are generally described in Exhibit “F1” attached as Attachment No. 1 to the Second Amendment to Lease. Lessee acknowledges that the East Parcel Required Improvements are subject to City’s normal public review process and that nothing herein is intended to restrict City’s exercise of discretion with respect thereto. Lessee further acknowledges that the description of the East Parcel Required Improvements in Exhibit “F1” is conceptual in nature and that the actual sizes, heights, and locations of all buildings, number of buildings, building elevations and setbacks, construction materials and colors, and similar design criteria for the East Parcel Required Improvements approved by City may not be the same as what is described in Exhibit “F1” and, in the event the area is used for manufacturing aircraft, then the building size, location, layout, and specification may differ from that specified in exhibit "F1" and, in the event of any inconsistency between the description in Exhibit “F1” and the plans approved by City, the plans approved by City shall govern and the East Parcel Required Improvements shall be as set forth in the approved plans.”

b. The description of the East Parcel Required Improvements attached to the Original Lease as Exhibit “F” and replaced with “Exhibit F (revised)” to the First Amendment to Lease is hereby replaced with Exhibit “F1” and attached to this Amendment as Attachment No. 1. All references in the Original Lease to Exhibit “F” and “Exhibit F” (revised) shall be deemed to refer to “Exhibit F1” attached to this Amendment as Attachment No. 1.

c. Construction Schedule. Agency has agreed to modify the construction schedule to commence and complete the Required Improvements for the East Parcel. Paragraph 10.B.2 of the Original Lease is hereby amended to read as follows: "Subject to Paragraph 10.C.2.(c), Lessee shall commence and complete construction of the Required Improvements no later than the times set forth below:

East Parcel	Construction Commencement	Construction Completion
Phase 1	01/16/2010	10/15/2010
Phase 2	02/16/2012	11/15/2012

4. Undergrounding of Utilities

Add to Section 10 ALTERATIONS AND IMPROVEMENTS of the Original Lease a new subsection b):

b) All utilities servicing the East Parcel will be undergrounded at the sole cost and expense of Lessee. Such undergrounding will be at the review and approval of the Community Development Director or designee.

5. Term. City and Lessee desire to modify the term of the Original Lease. The reference to "June 30, 2039" in the first sentence of Paragraph 3.A of the Original Lease was amended to read "March 31st, 2042" in the First Amendment to Lease and is hereby amended to read November 15, 2042. The first sentence of Paragraph 3.A shall then read "The term of this Lease shall commence on the Commencement Date and shall continue until the earlier of (i) the date that is thirty (30) Lease Years from and after the date that City issues its last certificate of occupancy for the East Parcel Required Improvements, or (ii) November 15, 2042."

6. Full Force and Effect; Conflicts. Except as expressly set forth in this Second Amendment, all terms, conditions, and provisions of the Original Lease inclusive of all Amendments shall remain in full force and effect. If there is a conflict between the provisions of this Second Amendment and the provisions of the Original Lease, the provisions of this Second Amendment shall control.

7. Execution and Counterparts. This Second Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

IN WITNESS WHEREOF, City and Lessee have entered into this Second Amendment as of the date first written above.

“CITY”

CITY OF TORRANCE,
a California municipal corporation

By: _____
Frank Scotto, Mayor

“LESSEE”

TORRANCE FLITE PARK, LLC
a California limited liability company

By: _____
Hassan Izad
Managing Member

By: _____
Ralph Martin, Managing Member

ATTEST:

Sue Herbers, City Clerk

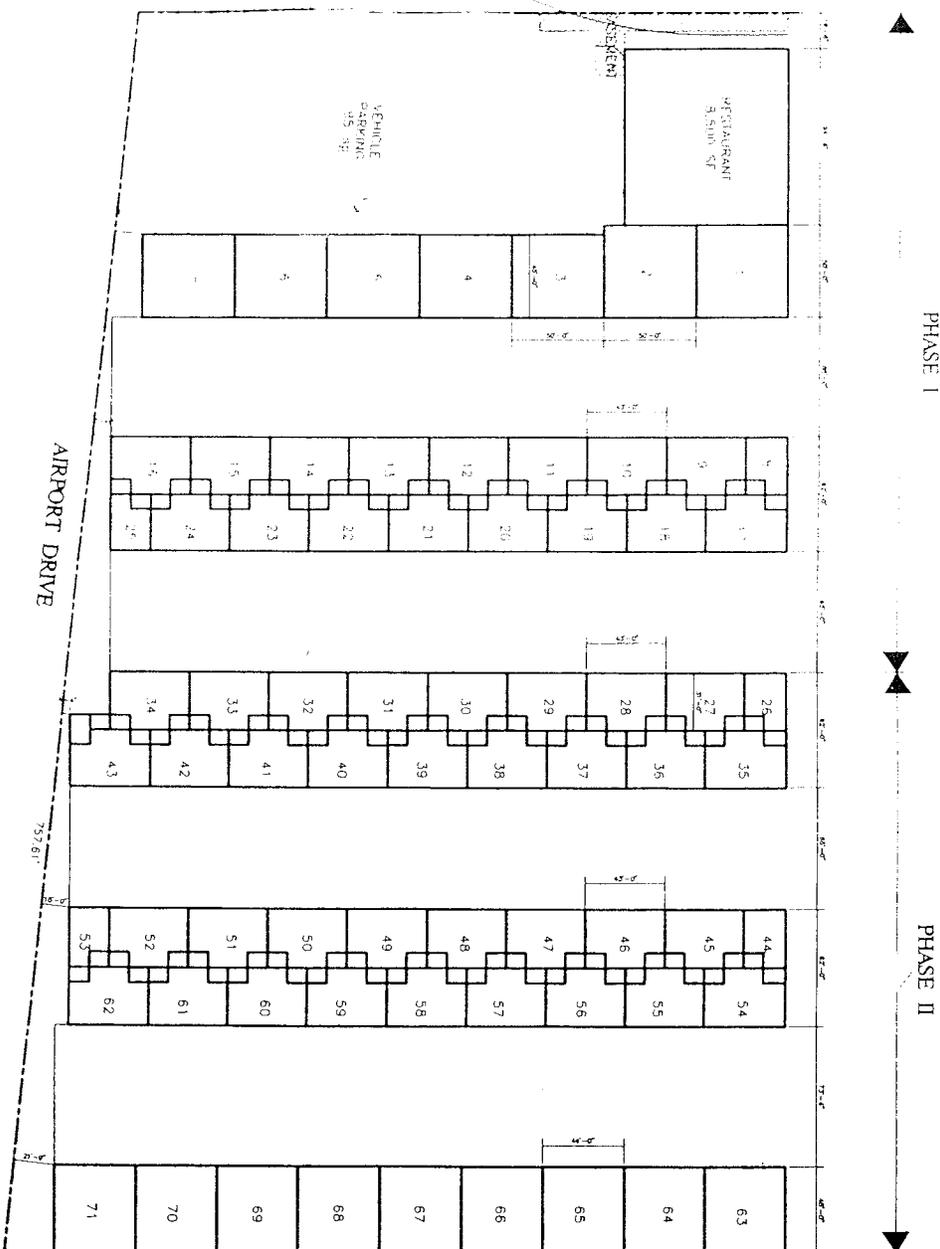
APPROVED AS TO FORM
JOHN FELLOWS, III CITY ATTORNEY

Ron Pohl, Assistant City Attorney

CONCEPT PLAN
2/15/08
PREPARED BY RRM AND OTHER PLANNERS



AIR TOWER
AND VERTICAL
PARKING AREA



TORRANCE FLITE PARK - EAST PARCEL
TECHNICAL PLAN SHOWING HANGAR TYPES

Recording Requested by:
Sue Herbers, City Clerk

When Recorded Mail to:
CITY OF TORRANCE
3031 Torrance Boulevard
Torrance, CA 90503

EASEMENT DEED

In consideration of the sum of One Dollar (\$1.00), and other valuable consideration, receipt of which is hereby acknowledged,

TORRANCE FLITE PARK, LLC, A CALIFORNIA

LIMITED LIABILITY COMPANY (LESSEE)

do(es) hereby grant to the CITY OF TORRANCE, a municipal corporation, of Los Angeles County, State of California, an easement for **INGRESS, EGRESS AND UTILITY** purposes and incidents thereto, in the following described real property in the City of Torrance, County of Los Angeles, State of California, and more particularly described as follows:

That portion of Parcel 12 of Official Map No. 2 in the City of Torrance, County of Los Angeles, State of California as shown on map filed in Book 5, Pages 44 thru 51 of Official Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at the North corner of said Parcel 12; thence Southwesterly along the Northwesterly line of said Parcel 12 South 38° 38' 49" West 131.07 feet; thence South 51° 21' 11" East 9.00 feet; thence North 38° 38' 49" East 27.59 feet; thence South 52° 15' 22" East 24.58 feet; thence North 38° 38' 49" East 16.00 feet; thence North 52° 15' 22" West 24.58 feet; thence North 38° 38' 49" East 87.48 feet; thence North 51° 21' 11" West 9.00 feet to the point of beginning.

Dated this ____ day of _____ 20__.

Sign: _____

Print: _____

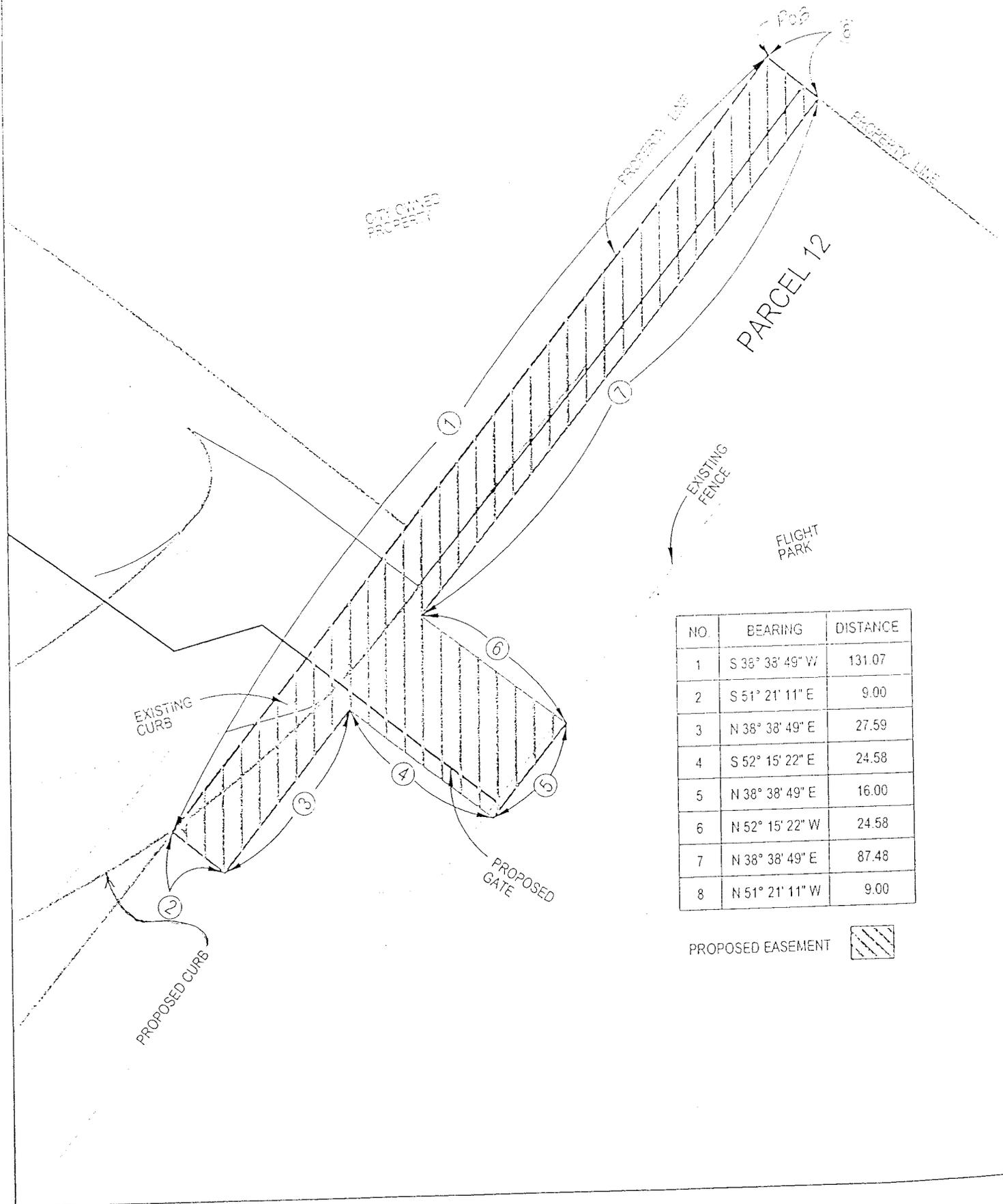
(All signatures must be notarized)

Sign: _____

Print: _____

Owner's Address: _____

FLIGHT PARK INGRESS/EGRESS EASEMENT



NO.	BEARING	DISTANCE
1	S 38° 38' 49" W	131.07
2	S 51° 21' 11" E	9.00
3	N 38° 38' 49" E	27.59
4	S 52° 15' 22" E	24.58
5	N 38° 38' 49" E	16.00
6	N 52° 15' 22" W	24.58
7	N 38° 38' 49" E	87.48
8	N 51° 21' 11" W	9.00

PROPOSED EASEMENT 

Recording Requested by:
Sue Herbers, City Clerk

When Recorded Mail to:
CITY OF TORRANCE
3031 Torrance Boulevard
Torrance, CA 90503

EASEMENT DEED

In consideration of the sum of One Dollar (\$1.00), and other valuable consideration, receipt of which is hereby acknowledged,

TORRANCE FLITE PARK, LLC, A CALIFORNIA

LIMITED LIABILITY COMPANY (LESSEE)

do(es) hereby grant to the CITY OF TORRANCE, a municipal corporation, of Los Angeles County, State of California, an easement for **INGRESS, EGRESS AND UTILITY** purposes and incidents thereto, in the following described real property in the City of Torrance, County of Los Angeles, State of California, and more particularly described as follows:

That portion of Parcel 12 of Official Map No. 2 in the City of Torrance, County of Los Angeles, State of California as shown on map filed in Book 5, Pages 44 thru 51 of Official Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at the North corner of said Parcel 12; thence Southwesterly along the Northwesterly line of said Parcel 12 South 38° 38' 49" West 131.07 feet; thence South 51° 21' 11" East 9.00 feet; thence North 38° 38' 49" East 27.59 feet; thence South 52° 15' 22" East 24.58 feet; thence North 38° 38' 49" East 16.00 feet; thence North 52° 15' 22" West 24.58 feet; thence North 38° 38' 49" East 87.48 feet; thence North 51° 21' 11" West 9.00 feet to the point of beginning.

Dated this ____ day of _____ 20__.

Sign: _____

Print: _____

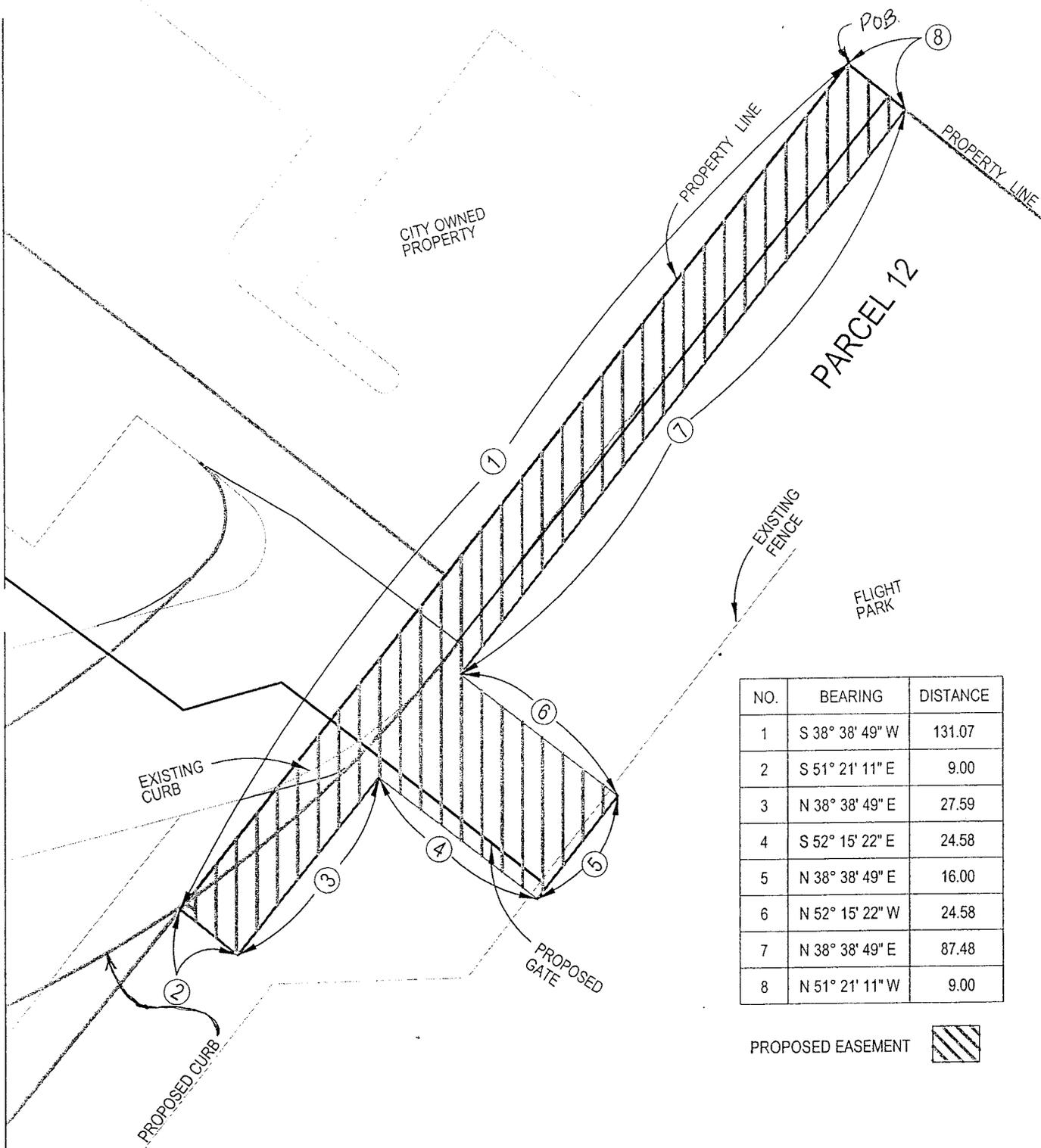
(All signatures must be notarized)

Sign: _____

Print: _____

Owner's Address: _____

FLIGHT PARK INGRESS/EGRESS EASEMENT



NO.	BEARING	DISTANCE
1	S 38° 38' 49" W	131.07
2	S 51° 21' 11" E	9.00
3	N 38° 38' 49" E	27.59
4	S 52° 15' 22" E	24.58
5	N 38° 38' 49" E	16.00
6	N 52° 15' 22" W	24.58
7	N 38° 38' 49" E	87.48
8	N 51° 21' 11" W	9.00

PROPOSED EASEMENT 

FIRST AMENDMENT TO AMENDED AND RESTATED LEASE

This FIRST AMENDMENT TO AMENDED AND RESTATED LEASE ("Amendment") is entered into this 26th day of October, 2004, by and between the CITY OF TORRANCE, a California municipal corporation ("City"), and TORRANCE FLITE PARK, LLC, a California limited liability company ("Lessee").

R E C I T A L S

A. On or about April 1, 2003, City and Lessee entered into that certain Amended and Restated Lease ("Original Lease"), which provides for City to lease to Lessee those certain portions of the Zamperini Field Torrance Municipal Airport more particularly described therein as the "Leased Premises."

B. City and Lessee now desire to amend the Original Lease on the terms set forth in this Amendment.

A G R E E M E N T

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by both parties, City and Lessee hereby agree as follows:

1. Defined Terms. Any capitalized terms contained in this Amendment which are not defined herein shall have the meaning given in the Original Lease, unless expressly provided to the contrary.
2. Lease of Option Parcel. City and Lessee hereby agree that the effective date for Lessee's exercise of the Option for the Option Parcel shall be the date of this Amendment and that date shall be the "Delivery Date" for the Option Parcel. In connection therewith, the second and third sentences of Paragraph 2.C.1 of the Original Lease are hereby modified to read as follows: "The exercise of either of these Options is voidable by Lessee prior to the Delivery Date of the Option Parcel in the event property inspections reveal any environmental condition or underlying easement that causes development of such parcel to become economically unfeasible. Subject to the foregoing, Lessee's exercise of the Option for the Option Parcel shall become effective on October 26, 2004, and that date shall be the Delivery Date for the Option Parcel." Lessee acknowledges that prior to the date of this Amendment, Lessee conducted its inspections of the physical condition of the Option Parcel and Lessee does hereby approve and accept the physical condition of the Option Parcel. The foregoing shall constitute Lessee's written notification to City under Paragraph 2.C.1 of the Original Lease of Lessee's approval of the physical condition of the Option Parcel.
3. East Parcel Conditions and Delivery Dates. The dates set forth in the Original Lease for the satisfaction of the East Parcel Conditions and for the delivery of the East Parcel are tied to the development of the South Portion Option Parcel with "Concept Plan A" or "Concept Plan C." The use contemplated to be developed on the South Portion Option Parcel has changed since the parties entered into the Original Lease and neither "Concept Plan A" nor "Concept Plan C" will be developed on the South Portion Option Parcel. Accordingly, the dates for the

C2001-118

ORIGINAL

satisfaction of the East Parcel Conditions and the delivery of the East Parcel need to be modified. In order to effectuate these modifications, the Original Lease is hereby modified as follows:

a. East Parcel Conditions. The definition of the term "East Parcel Contingency Date" in Paragraph 1 of the Original Lease is hereby deleted.

The reference to "Paragraph 3B(2)" in Paragraph 3 of the Original Lease is hereby modified to read "Paragraph 3B(1)."

Paragraph 3.B(1) of the Original Lease is hereby modified to read as follows: "The performance of City and Lessee under this Lease with respect to the East Parcel shall be contingent and conditional upon the fulfillment of the following conditions precedent within the prescribed time limits (collectively, the "East Parcel Conditions"): (i) the East Parcel shall be free and clear of any tenants and Structures on April 30, 2006; provided, City shall have an additional period of one hundred twenty (120) days after April 30, 2006 in which to satisfy the foregoing condition so long as City has, prior to April 30, 2006, commenced unlawful detainer proceedings against any tenant who remains in possession of the East Parcel (in which case all dates described in this Paragraph 3.B.2, and the East Parcel construction commencement and completion dates described in Paragraph 10.B.2, shall be extended by an additional period of one hundred (120) days); (ii) Lessee shall have inspected and reasonably approved the physical condition of the East Parcel pursuant to Paragraph 2.B of this Lease on or before the date that is sixty (60) days after the satisfaction of the East Parcel Condition set forth in the preceding clause (i); and (iii) Lessee shall have submitted applications for all governmental approvals for the West Portion/Phase I of East Parcel Required Improvements and City shall be in a position to issue building permits for the West Portion/Phase I of East Parcel Required Improvements, upon Lessee's payment of the applicable fees, on or before March 31, 2007. Lessee shall exercise diligent efforts to satisfy the East Parcel Condition referred to in clause (iii) of the preceding sentence and shall make timely application for all such permits and approvals. In the event that the East Parcel Conditions are not satisfied within the time periods described above, either party shall have the right to terminate this Lease as to the East Parcel pursuant to Paragraph 3C below. If the termination occurs as the result of Lessee's failure to cause either of the East Parcel Conditions set forth in clause (ii) or (iii) of this Paragraph 3.B.2 to be satisfied, Lessee will be subject to the \$316,990 fee referred to in Paragraph 5.A."

b. Acceptance of Possession. The third sentence of Paragraph 4 of the Original Lease that begins with the words "Notwithstanding the foregoing, Lessee shall" is hereby modified to read as follows: "Notwithstanding the foregoing, Lessee shall have no obligation to accept tender of possession of the East Parcel prior to August 31, 2006. In addition, Lessee shall have the right, by delivery of written notice to City within ten (10) days after receipt of the Notice of Possession for the East Parcel, to notify City that Lessee elects to not take possession of the East Parcel and, in such event, this Lease shall terminate as to the East Parcel and Lessee shall pay to City the \$316,990 fee referred to in Paragraph 5.A of this Lease."

4. Rent. The dates in the Original Lease for Lessee to commence paying Minimum Basic Rent for the North Portion Option Parcel, the South Portion Option Parcel, and the East Parcel assume Lessee will develop the North Portion Option Parcel with "Concept Plan B" and the South Portion Option Parcel with either "Concept Plan A" or "Concept Plan C." Since the Option Parcel will not be developed with Concept Plans A, B or C, the dates for Lessee to commence paying Minimum Basic Rent for the Option Parcel and the East Parcel need to be modified, as follows:

a. Option Parcel Minimum Basic Rent. Paragraphs 5.A.2 and 5.A.3 of the Original Lease are hereby modified to read as follows: "Commencing on the earlier of (i) June 1, 2006, or (ii) the date of City's issuance of its first approval of a final inspection authorizing occupancy of an Option Parcel Required Improvement, Minimum Basic Rent shall be increased by the sum of \$2,410 per month [2.41 acres Option Parcel x \$1,000]. In the event Lessee does not complete, to the City's satisfaction, the Option Parcel Required Improvements prior to May 31, 2006, then commencing on June 1, 2006, the Minimum Basic Rent shall be further increased on that date by the sum of \$1,205 per month [2.41 acres Option Parcel x \$1,000 x .5] (for a total of \$3,615 per month)."

b. East Parcel Minimum Basic Rent. Paragraphs 5.A.4(a) and (b) of the Original Lease are hereby modified to read as follows: "Commencing on the earlier of (i) August 1, 2008, or (ii) the date construction of the first hangar in the West Portion/Phase 1 is completed as evidenced by City's issuance of its approval of a final inspection authorizing occupancy of said hangar, Minimum Basic Rent shall be increased by the sum of \$5,980 per month [5.98 acres East Parcel x \$1,000]. If the East Parcel Conditions set forth in Paragraph 3.B.1 are satisfied and Lessee takes possession of the East Parcel, but then fails to complete construction of the West Portion/Phase 1 pursuant to Paragraph 10.B.2, then commencing on October 1, 2008, Minimum Basic Rent shall be further increased by the sum of \$2,345 per month [4.69 acres West Portion/Phase 1 x \$1,000 x .5]. If the East Parcel Conditions set forth in Paragraph 3.B.1 are satisfied and Lessee and takes possession of the East Parcel, but then fails to complete construction of the East Portion/Phase 2 pursuant to Paragraph 10.B.2, then commencing on April 1, 2011, Minimum Basic Rent shall be further increased by the sum of \$645 per month [1.29 acres East Portion/Phase 2 x \$1,000 x .5]. In the event the East Parcel Conditions are not satisfied and the failure is caused by Lessee or in the event the East Parcel Conditions are satisfied but Lessee notifies City that Lessee is not taking possession of the East Parcel pursuant to Paragraph 4 of this Lease, then on or before May 1, 2007, Lessee shall pay a one-time fee to City in the amount of \$316,990."

5. Use of Leased Premises and Required Improvements. Some of the permitted uses and Required Improvements on the Option Parcel and the East Parcel have changed since the Original Lease was entered into. In addition, Agency has agreed to modify the construction schedule to commence and complete the Option Parcel Required Improvements and the East Parcel Required Improvements. In order to effectuate these modifications, the Original Lease is hereby modified as follows:

a. East Parcel Required Improvements. The definition of the term "East Parcel Required Improvements" in Paragraph 1 of the Original Lease is hereby amended

to read as follows: “East Parcel Required Improvements shall mean the improvements to be constructed and installed by Lessee on the East Parcel that are described in Exhibit “F” (revised) attached as Attachment No. 1 to the First Amendment to Lease. Lessee acknowledges that the East Parcel Required Improvements are subject to City’s normal public review process and that nothing herein is intended to restrict City’s exercise of discretion with respect thereto. Lessee further acknowledges that the description of the East Parcel Required Improvements in Exhibit “F” (revised) is conceptual in nature and that the actual sizes, heights, and locations of all buildings, number of buildings, building elevations and setbacks, construction materials and colors, and similar design criteria for the East Parcel Required Improvements approved by City may not be the same as what is described in Exhibit “F” (revised) and, in the event of any inconsistency between the description in Exhibit “F” (revised) and the plans approved by City, the plans approved by City shall govern and the East Parcel Required Improvements shall be as set forth in the approved plans.”

The description of the West Parcel and East Parcel Required Improvements attached to the Original Lease as Exhibit “F” is hereby replaced with “Exhibit F (revised)” attached to this Amendment as Attachment No. 1. All references in the Original Lease to Exhibit “F” shall be deemed to refer to “Exhibit F (revised)” attached to this Amendment as Attachment No. 1.

b. Option Parcel Required Improvements. The definition of the term “Option Parcel Required Improvements” in Paragraph 1 of the Original Lease is hereby amended to read as follows: “Option Parcel Required Improvements shall mean the improvements to be constructed and installed by Lessee on the Option Parcel that are depicted on the Option Parcel Conceptual Site Plan attached as Exhibit “G” (revised) to the First Amendment to Lease. Lessee acknowledges that the Option Parcel Required Improvements are subject to City’s normal public review process and that nothing herein is intended to restrict City’s exercise of discretion with respect thereto. Lessee further acknowledges that the Option Parcel Conceptual Site Plan is conceptual in nature and that the actual sizes, heights, and locations of all buildings, number of buildings, building elevations and setbacks, construction materials and colors, and similar design criteria for the Option Parcel Required Improvements approved by City may not be the same as what is depicted in the Option Parcel Conceptual Site Plan and, in the event of any inconsistency between what is depicted on the Option Parcel Conceptual Site Plan and the plans approved by City, the plans approved by City shall govern and the Option Parcel Required Improvements shall be as set forth in the approved plans.”

The description of the Option Parcel Required Improvements attached to the Original Lease as Exhibit “G” is hereby replaced with “Exhibit G (revised)” attached to this Amendment as Attachment No. 1. All references in the Original Lease to Exhibit “G”, Exhibit G-1 or Exhibit G-2 shall be deemed to refer to “Exhibit G (revised)” attached to this Amendment as Attachment No. 2.

Paragraphs 2.C.2 and 2.C.3 of the Original Lease are hereby modified to read: “Lessee shall commence and complete construction of the Option Parcel Required

Improvements on the Option Parcel pursuant to the schedule described in Paragraph 10.B.2.”

c. Construction Schedule. Agency has agreed to modify the construction schedule to commence and complete the Required Improvements for the East Parcel and the Option Parcel. Paragraph 10.B.2 of the Original Lease is hereby amended to read as follows: “Subject to Paragraph 10.C.2.(c), Lessee shall commence and complete construction of the Required Improvements no later than the times set forth below:

<u>Parcel</u>	<u>Construction Commencement</u>	<u>Construction Completion</u>
West Parcel	Within 8 months after Delivery Date of West Parcel	June 30, 2003 (completed)
Option Parcel*	June 30, 2005	May 31, 2006
East Parcel, West Portion/ Phase I**	December 31, 2007	September 30, 2008
East Parcel, East Portion/ Phase 2**	March 31, 2010	March 31, 2011

*As depicted on Attachment No. 2 of the First Amendment to Lease (Exhibit “G” (revised)).

**As depicted in Attachment No. 1 of the First Amendment to Lease (Exhibit “F” (revised)).

d. Restaurant Use a Permitted on East Parcel. The last paragraph of the subsection under the heading “Initial Leased Premises” in Paragraph 9.A of the Original Lease that begins with the words “Any use not specifically . . .” is hereby replaced with the following language: “In addition to the West/East Parcel Aeronautical Uses set forth above, Lessee may utilize a portion of the East Parcel for the construction and operation of a restaurant that is no greater than 3,000 square feet total. Any use not specifically listed in this Paragraph as a West/East Parcel Aeronautical Use or the restaurant use referred to in the preceding sentence requires the prior written consent of the City Council, which consent may be granted or withheld in the City Council’s sole and absolute discretion.” The reference to the 3,000 square foot restaurant in Paragraph 9.A of the Original Lease under the permitted uses for the Option Parcel is hereby deleted.

6. Term. City and Lessee desire to modify the term of the Original Lease. The reference to “June 30, 2039” in the first sentence of Paragraph 3.A of the Original Lease is hereby amended to read “March 31, 2041.” The first sentence of Paragraph 3.A shall then read “The term of this Lease shall commence on the Commencement Date and shall continue until the earlier of (i) the date that is thirty (30) Lease Years from and after the date that City issues its last certificate of occupancy for the East Parcel Required Improvements, or (ii) March 31, 2041.”

7. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Lease shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Lease, the provisions of this Amendment shall control.

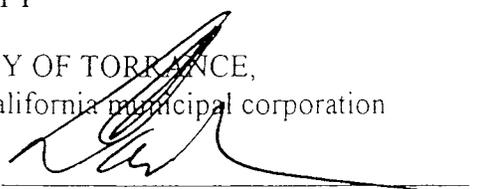
8. Execution and Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

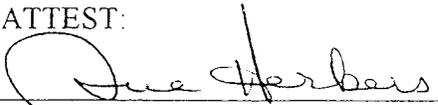
IN WITNESS WHEREOF, City and Lessee have entered into this Amendment as of the date first written above.

“CITY”

CITY OF TORRANCE,
a California municipal corporation

By: 
Mayor

ATTEST:

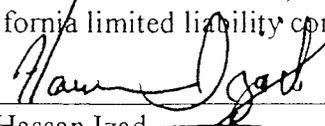

Sue Herbers, City Clerk

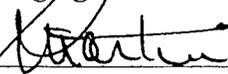
APPROVED AS TO FORM
JOHN FELLOWS, III CITY ATTORNEY


Ron Pohl, Assistant City Attorney

“LESSEE”

TORRANCE FLITE PARK, LLC
a California limited liability company

By: 
~~Hassan Izad~~
Managing Member

By: 
Ralph Martin
Managing Member

ATTACHMENT NO. 1**EXHIBIT "F" (revised)****WEST PARCEL AND EAST PARCEL REQUIRED IMPROVEMENTS****GENERAL DESCRIPTION**

The TFP plan is to create a development accommodating a series of FBO operations, aviation-related office facilities, a series of modern technology aircraft storage hangars.

TFP's plan of development anticipates construction involving 2 parcels called West Parcel and East Parcel. The development proposed for each parcel is diagrammed in illustrative plans and a block-out or building "footprint" plans in Exhibit F.

HANGAR MIX

TFP's plan is to develop and operate three types of hangars:

Hangar Type 1 is the so-called "nested" T hangar, offering conveniences such as powered doors, running water and lavatories. The TFP plan anticipates a quantity of forty-five Type 1 hangars, or 46% of the total proposed mix. Expected aircraft for those Type 1 hangars include most smaller light aircraft, high performance single engine and most light twin aircraft; this list includes Beechcraft Conanzas and Barons, Cessna 210 and 310 series Piper Cherokee, and Senecas, etc. These hangars will accommodate a 40' wingspan and will contain approximately 1,300 s.f. of floor area.

Hangar Type 2 is a medium size hangar, measuring approximately 44' x 40'; it is rectangular in shape, accommodating power doors, support storage and lavatories. Type 2 hangars will accommodate Beechcraft Duke, Cessna 340 and 400 series, Piper Navajo, and other

executive aircraft. TFP proposes approximately twenty-eight of Type 2 hangars, representing 29% of the proposed mix.

Hangar Type 3 is a specialty type hangar whose purpose is two-fold:

- a. Multi-aircraft storage of larger executive aircraft
- b. Potential FBO, sales, storage, and maintenance facilities

These hangars vary in size depending on their adaptability for FBO purposes, ranging up to 9,000 square feet. The TFP plan anticipates approximately 20 Type 3 hangars, or 21% of the proposed mix.

WEST PARCEL DEVELOPMENT

The West Parcel is planned to accommodate FBO operations and thirty-six hangars supported by adequate auto parking and featuring a significant landscaped open space element. The diagram on the following pages illustrates the proposed West Parcel program which emphasizes open space, landscaping and low profile business office/FBO facilities near the intersection of Madison Street and Airport Drive.

Approximately 6,600 square feet of floor space is anticipated for FBO activity, while the thirty-six hangar space inventory is planned for four executive FBO hangars (Type 3), 20 Type 2 and 12 Type 1 hangars. As with all proposed hangars, TFP proposes these as steel structures clad with steel panels and internally furnished with drywall, fire retardant surfaces.

The prototype building design for the FBO facilities is the same flex-space anticipated for the West Parcel and the East Parcel one or two story structures. This particular design approach allows for the creation of many “corner” offices and workspaces to accommodate the variety of activities that fit under the broader interpretation of “FBO”.

EAST PARCEL DEVELOPMENT

The East Parcel construction program is planned to accommodate a series of FBO operations in one FBO facility and fifty-three hangars. This step is anticipated to allow the return of full service activity of the current FBO's which may have been displaced temporarily by the construction of the earlier phases, as well as other operators to be solicited by TFP.

The East Parcel development contemplates the following mix of hangars:

Type T1	Approximately 33 representing 62% of East Parcel hangars
Type T2	Approximately 8 representing 15% of East Parcel hangars
Type T3	Approximately 12 representing 23% of East Parcel hangars

East Parcel is anticipated to be constructed in two phases:

Phase 1 (West Portion) – consisting of 28 hangars

Phase 2 (East Portion) – consisting of 25 hangars

The East Parcel FBO building of approximately 10,000 square feet is anticipated to be constructed during Phase 2 unless demand suggests a start of construction during Phase 1. The East Parcel is also proposed to accommodate one underground aviation fuel storage facility. In addition the TFP plan proposes a restaurant to be located in the FBO building proposed for the East Parcel.

WEST AND EAST PARCEL FBO BUILDING DESIGN

TFP is exploring the following method of construction for these facilities: Conventional wood frame with stucco wall finish and tile roofs.

APPROVALS

With respect to all buildings proposed for the East and West parcels; building elevations, material, colors and landscaping are subject to approval of the City's Community Development Director.

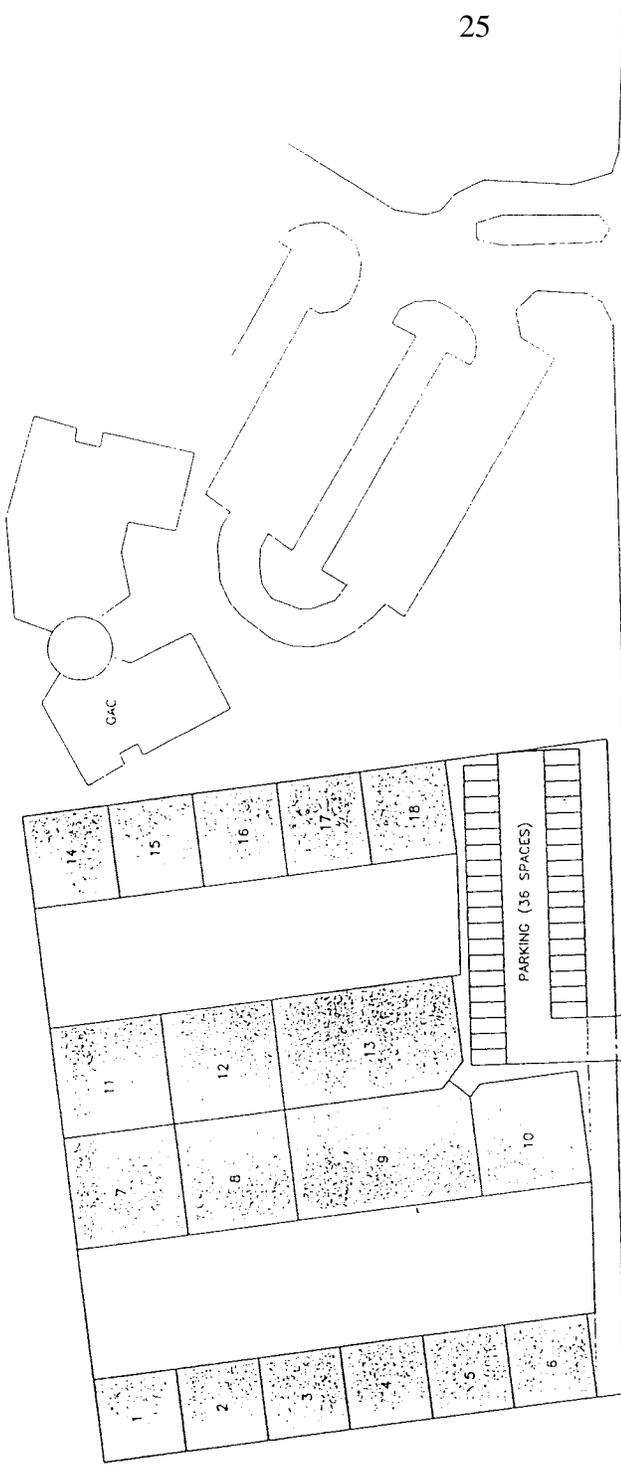
ATTACHMENT NO. 2

EXHIBIT "G" (revised)

OPTION PARCEL CONCEPTUAL SITE PLAN

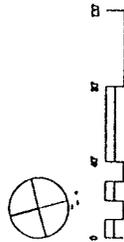
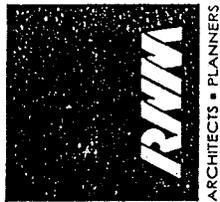
[Attached]

EARHART APRON



AIRPORT DRIVE

TORRANCE FLITE PARK - PHASE II



CONCEPT PLAN AUGUST 23, 2004
 COPYRIGHT 1999 RNM ARCHITECTS PLANNERS

AMENDED AND RESTATED LEASE

by and between

CITY OF TORRANCE
a California municipal corporation

and

TORRANCE FLITE PARK, LLC
a California limited liability company

C2001-118

DISCLAIMER: The submission of this Lease for examination or the negotiation of the transactions described herein does not constitute an offer by City, and this Lease does not constitute a binding contract unless and until executed by City and Lessee.

COPY
ORIGINAL

TABLE OF CONTENTS

	<u>Page</u>
1. DEFINITIONS	2
2. LEASE OF LEASED PREMISES	4
A. <u>Leased Premises</u>	4
B. <u>Condition of Leased Premises</u>	4
C. <u>Option to Lease Option Parcel</u>	5
3. TERM; CONDITIONS PRECEDENT	7
A. <u>Term</u>	7
B. <u>Conditions Precedent</u>	7
1. <u>East Parcel Conditions</u>	7
C. <u>Termination</u>	8
4. POSSESSION; DELIVERY DATE	8
5. MINIMUM BASIC RENT	9
A. <u>Minimum Basic Rent</u>	9
B. <u>Cost of Living Adjustment</u>	11
6. PERCENTAGE RENT	11
A. <u>Percentage Rent Payment</u>	11
B. <u>Percentage of Adjusted Gross Receipts</u>	11
C. <u>Time Payable</u>	13
D. <u>Report Payment and Audit</u>	13
E. <u>Certain Definitions</u>	14
7. PAYMENT OF RENT; LATE CHARGE	14
A. <u>Place of Payment</u>	14
B. <u>Late Charge</u>	14
C. <u>Interest</u>	15
8. TAXES, ASSESSMENTS, UTILITY CHARGES, AND ADDITIONAL RENT	15
A. <u>Net Lease</u>	15
B. <u>Payment of Taxes</u>	15
C. <u>Payment of Assessments</u>	15
D. <u>Ad Valorem Taxes</u>	15
E. <u>Utilities</u>	16
F. <u>Additional Rent</u>	16
9. USE OF LEASED PREMISES	16
A. <u>Permitted Use</u>	16
1. <u>Initial Leased Premises</u>	16
2. <u>Option Parcel</u>	17

	<u>Page</u>
B. <u>Use Restrictions</u>	18
C. <u>Covenant to Operate</u>	18
D. <u>Compliance With Law</u>	18
E. <u>Compliance with Environmental Laws</u>	18
F. <u>Compliance with the Torrance Municipal Airport Code and Noise Abatement Programs or Ordinance</u>	19
G. <u>FAA Provisions</u>	19
H. <u>No Interference With Air Navigation</u>	20
I. <u>City Reservations</u>	21
10. ALTERATIONS AND IMPROVEMENTS	22
A. <u>City Improvements</u>	22
B. <u>Lessee Improvements</u>	22
1. <u>Construction Obligation</u>	22
2. <u>Commencement and Completion of Construction</u>	23
C. <u>General Construction Requirements</u>	23
1. <u>Site Preparation</u>	23
2. <u>Construction</u>	24
(a) <u>Site Plans</u>	24
(b) <u>Building Permits and Parcel Map</u>	24
(c) <u>Force Majeure</u>	24
(d) <u>FAA Filing</u>	24
(e) <u>Interference with Aircraft</u>	24
(f) <u>Performance Guaranty</u>	24
(g) <u>Property of Lessee</u>	25
(h) <u>No Parcelization</u>	25
(i) <u>Utility Installations</u>	25
(j) <u>Value and Utility</u>	25
(k) <u>Workmanlike Manner</u>	25
D. <u>Liens</u>	26
11. MAINTENANCE AND REPAIRS	26
A. <u>Lessee's Duty to Maintain</u>	26
B. <u>Periodic Painting/Cleaning</u>	26
12. SURRENDER	27
A. <u>Structures</u>	27
B. <u>Removal</u>	27
C. <u>Movable Structures</u>	27
D. <u>Personal Property</u>	27
E. <u>Lighting, Etc.</u>	27
13. INDEMNITY	28
14. INSURANCE	29
A. <u>Liability</u>	30

	<u>Page</u>
B. <u>Improvements</u>	29
C. <u>Fire Insurance</u>	29
D. <u>Workers Comepnsation</u>	29
E. <u>Carrier Rating</u>	30
F. <u>Evidence of Insurance</u>	30
G. <u>Cancellation</u>	30
H. <u>Lessee's Failure to Maintain</u>	30
I. <u>Periodic Increases</u>	30
15. CASUALTY DAMAGES	30
16. ASSIGNMENT AND SUBLETTING	31
A. <u>Genral</u>	31
1. <u>Prohibition</u>	31
2. <u>Permitted Subleases</u>	31
3. <u>Affiliate Transfers</u>	31
4. <u>Notice</u>	32
5. <u>Timing</u>	32
B. <u>Vesting</u>	32
C. <u>Voidability</u>	33
D. <u>Nondisturbance and Attornment</u>	33
E. <u>Encumbrances by City</u>	33
17. LEASEHOLD MORTGAGES	33
A. <u>Right to Hypothecate</u>	33
B. <u>Notice to Mortgagee of Default</u>	33
C. <u>No Subordination</u>	35
D. <u>Consent to Surrender</u>	35
E. <u>No Merger</u>	35
F. <u>Estoppel Certificates</u>	35
18. DEFAULT AND REMEDIES	36
A. <u>Defaults</u>	36
B. <u>Receipt of Rent Not Waiver of Default</u>	36
C. <u>Failure to Enforce Covenant Not Invalidation</u>	36
D. <u>Receipt of Post-Termination Rent Not Reinstatement</u>	37
19. RIGHT OF ACCESS	37
20. QUIET ENJOYMENT	37
21. CONDEMNATION	37
22. FAIR MARKET VALUE	38
A. <u>Fair Market Value Defined</u>	38
B. <u>Failure to Agree</u>	39
C. <u>Appraisal</u>	39

	<u>Page</u>
23. JUDICIAL REFERENCE.....	39
24. AUTHORITY.....	40
A. <u>City Representations</u>	40
B. <u>Lessee Representations</u>	40
25. NOTICES.....	40
A. <u>Notices to City</u>	40
B. <u>Notices to Lessee</u>	41
C. <u>Effectiveness</u>	41
26. GENERAL PROVISIONS.....	41
A. <u>Remedies Cumulative</u>	41
B. <u>Amendments and Modifications</u>	41
C. <u>Litigation Expenses</u>	42
D. <u>Time</u>	42
E. <u>Headings</u>	42
F. <u>Successors in Interest</u>	42
G. <u>Waivers</u>	42
H. <u>Gender and Number</u>	42
I. <u>Memorandum of Lease</u>	42
J. <u>No Brokers</u>	42
K. <u>Good Faith and Reasonableness</u>	42
L. <u>Governing Law; Venue</u>	43
M. <u>Execution in Counterpart</u>	43
N. <u>Approvals By City Government Functions</u>	43

Exhibit A	Quitclaim Deed
Exhibit B	Legal Description of West Parcel
Exhibit C	Legal Description of East Parcel
Exhibit D	Legal Description of Option Parcel
Exhibit E	Site Map
Exhibit F	West Parcel and East Parcel Required Improvements
Exhibit G	Option Parcel Required Improvements

On September 19, 2001, the CITY OF TORRANCE, a California municipal corporation ("City"), and TORRANCE FLITE PARK, LLC, a California limited liability company ("Lessee"), executed that certain real property Lease regarding development of land at the Zamperini Field Torrance Municipal Airport ("Lease").

Pursuant to Section 26.B of that Lease, the parties reserved the power to amend and modify the Lease provided that such amendment and modification has been (i) approved by the City Council and set forth in a written instrument, expressly purporting to amend the Lease, executed by the City Manager or his or her designee or the Mayor for the City; (ii) executed by Lessee; and (iii) approved in writing by any Approved Leasehold Mortgagee.

The parties now wish to amend and modify certain provisions of the Lease. As such, the parties hereby amend, modify, and entirely restate the Lease as follows:

AMENDED AND RESTATED LEASE

THIS AMENDED AND RESTATED LEASE ("Lease") is made and entered into this 1st day of April, 2003 ("Effective Date"), by and between the CITY OF TORRANCE, a California municipal corporation ("City"), and TORRANCE FLITE PARK, LLC, a California limited liability company ("Lessee").

R E C I T A L S:

A. City is the owner of Zamperini Field Torrance Municipal Airport (the "Airport") and operates the same for the promotion, accommodation, and development of air commerce and transportation. The Airport is located in the City of Torrance, County of Los Angeles, State of California, and its boundaries are more particularly described in that certain Quitclaim Deed executed by the United States of America, dated March 5, 1948, and recorded on May 13, 1948, in Book 27145, Page 362, of Official Records in the Office of the County Recorder of Los Angeles (the "Quitclaim Deed"), a copy of which is attached hereto as Exhibit "A." The City is authorized to enter into this Lease pursuant to Exhibit A and the subsequent Quitclaim Deed dated March 22, 1956 recorded in Book 52630 Page 135, Los Angeles County Recorder's Office, the United States of America released, with certain exceptions, the Airport from the conditions, reservations and restrictions of the Quitclaim Deed.

B. City desires to lease to Lessee and Lessee desires to lease from City that portion of the Airport consisting of approximately 4.33 acres of land area, more particularly described in the legal description attached hereto as Exhibit "B" and depicted on the site map attached hereto as Exhibit "E" (the "West Parcel") and that portion of the Airport consisting of approximately 5.98 acres of land area, more particularly described in the legal description attached hereto as Exhibit "C" and depicted on the site map attached hereto as Exhibit "E" (the "East Parcel"). The West Parcel and the East Parcel are collectively referred to herein as the "Leased Premises."

C. City desires to grant to Lessee an option to lease from City that portion of the Airport consisting of approximately 2.41 acres of land area, more particularly described in the legal description attached hereto as Exhibit "D" and depicted on the site map attached hereto as Exhibit "E" (the "Option Parcel"), on the terms and conditions set forth in this Lease. If Lessee

exercises the option to lease from City the Option Parcel, upon the Delivery Date of the Option Parcel, the term "Leased Premises" shall be deemed to include the Option Parcel.

D. The Leased Premises are being leased pursuant to the authority contained in Section 37380 of the Government Code of the State of California, amended by statutes 1983 and Section 37395 of said Code, added by statutes of 1954 (West's Annotated California Codes) and pursuant to the powers conferred on the City by the provisions of Article 11 of the Constitution of the State of California.

C O V E N A N T S

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES AND OF THE MUTUAL COVENANTS HEREIN CONTAINED, CITY AND LESSEE HEREBY AGREE AS FOLLOWS:

1. DEFINITIONS

The follow terms when used in this Lease shall have the meanings set forth below:

The term "Additional Rent" shall have the meaning ascribed in Paragraph 8F of this Lease.

The term "Airport" shall mean the Zamperini Field Torrance Municipal Airport located within the City of Torrance, County of Los Angeles, State of California.

The term "Commencement Date" shall mean the date that is the Delivery Date for the West Parcel, which is December 26, 2001.

The term "Delivery Date" shall mean the date on which possession of a Parcel is delivered to Lessee pursuant to Paragraph 4 of this Lease.

The term "East Parcel" shall mean that certain real property consisting of approximately 5.98 acres of land area located within the Airport, more particularly described in the legal description attached hereto as Exhibit "C" and depicted on the site map attached hereto as Exhibit "E".

The term "East Parcel Conditions" shall have the meaning ascribed in Paragraph 3B(2) of this Lease.

The term "East Parcel Contingency Date" shall mean either (i) September 30, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease; or (ii) April 30, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or if Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason, as more fully explained in Paragraphs 3B(2) and 5A(4) of this Lease.

The term "East Parcel Required Improvements" shall mean the improvements to be constructed and installed by Lessee on the East Parcel that are described in Exhibit "F" of this Lease.

The term "Effective Date" shall mean the date on which both Lessee and City have executed this Lease, which date shall be inserted into the preamble to this Lease.

The term "FAA" shall mean the Federal Aviation Administration.

The term "Initial Leased Premises" collectively refers to the West Parcel and the East Parcel. The Option Parcel is not a part of the Initial Leased Premises.

The term "Lease Year" shall have the meaning ascribed in Paragraph 3A of this Lease.

The term "Leased Premises" collectively refers to the West Parcel and the East Parcel and, if Lessee exercises the Option, upon the Delivery Date of the Option Parcel, the Option Parcel.

The term "Minimum Basic Rent" shall mean the minimum rent to be paid by Lessee to City, subject to adjustments as provided in Paragraph 5.

The term "Notice of Possession" shall mean the written notice delivered by City to Lessee tendering possession of a Parcel, as more fully explained in Paragraph 4 of this Lease.

The term "North Portion Option Parcel" shall mean that certain real property within the Option Parcel consisting of approximately 1.17 acres of land area as depicted on Exhibit "G1" to this Lease. Currently there is no recorded property line to legally bifurcate the Option Parcel, yet provisions for obtaining such are described in Paragraph 2.C.

The term "Option" shall mean the option granted by City to Lessee to lease the Option Parcel.

The term "Option Parcel" shall mean that certain real property inclusive of the "North Portion Option Parcel" and "South Portion Option Parcel," consisting aggregately of approximately 2.41 acres of land area located within the Airport and more particularly described in the legal description attached hereto as Exhibit "D" and depicted on the site map attached hereto as Exhibit "E."

The term "Option Parcel Aeronautical Uses" shall have the meaning ascribed in Paragraph 9A(2) of this Lease.

The term "Option Parcel Required Improvements" shall mean the improvements, as applicable pursuant to Paragraph 2.C, to be constructed and installed by Lessee on the Option Parcel that are described in Exhibits "G1" and "G2" of this Lease.

The term "Option Period" shall mean the applicable period, as defined in Paragraph 2.C.1 of this Lease, during which Lessee has the right to exercise the Option to lease the North Portion Option Parcel and/or the South Portion Option Parcel.

The term "Parcel" shall individually refer to the West Parcel, the East Parcel or the Option Parcel.

The term "Parking Structure Development Criteria" shall mean City's proposed South Portion Option Parcel parking structure site plan schematic drawings specifying square footage, number of floors, method of ingress and egress, and minimum construction requirements, if any.

The term "Percentage Rent" shall have the meaning ascribed in Paragraph 6 of this Lease.

The term "Rent Commencement Date" shall mean the date that Lessee's obligation to pay Minimum Basic Rent commenced. The Rent Commencement Date is the earlier of (i) the date that is three hundred sixty five (365) days after the Commencement Date, which is December 26, 2002; or (ii) the date City issues its certificate of occupancy for the West Parcel Required Improvements.

The term "Required Improvements" collectively refers to the "East Parcel Required Improvements," the West Parcel Required Improvements, and the Option Parcel Required Improvements.

The term "South Portion Option Parcel" shall mean that certain real property within the Option Parcel consisting of approximately 1.24 acres of land area as depicted on Exhibit "G1" to this Lease. Currently there is no recorded property line to legally bifurcate the Option Parcel, yet provisions for obtaining such are described in Paragraph 2.C.

The term "Structures" shall mean all existing vertical and other improvements, including but not limited to, buildings, fences, floor slabs and paving.

The term "West/East Parcel Aeronautical Uses" shall have the meaning ascribed in Paragraph 9A(1) of this Lease.

The term "West Parcel" shall mean that certain real property consisting of approximately 4.33 acres of land area located within the Airport, more particularly described in the legal description attached hereto as Exhibit "B" and depicted on the site map attached hereto as Exhibit "E".

The term "West Parcel Conditions" shall have the meaning ascribed in Paragraph 3B(1) of this Lease.

The term "West Parcel Required Improvements" shall mean the improvements to be constructed and installed by Lessee on the West Parcel that are described in Exhibit "F" of this Lease.

2. LEASE OF LEASED PREMISES

A. Leased Premises. For and in consideration of the rents, covenants and conditions herein contained, effective upon the Delivery Date for each Parcel, City does hereby lease to Lessee and Lessee does hereby lease from City the Parcels comprising the Leased Premises.

B. Condition of Leased Premises. The Leased Premises are leased to Lessee and Lessee hereby accepts the Leased Premises in "AS-IS" and "WHERE-IS" condition, without any representations or warranties by City or City's agents, and subject to all applicable zoning, municipal, county, state and federal laws, ordinances and regulations governing and regulating the Leased Premises, including, without limitation, the City of Torrance Municipal Code, and all covenants, conditions and restrictions of record, and accepts this Lease subject thereto and to all matters disclosed hereby. Subject to the following, Lessee acknowledges that it has conducted such reviews and inspections as it has deemed necessary to satisfy itself regarding all aspects of the condition of the Leased Premises, including, without limitation, the condition of title of the Leased Premises, applicable zoning and other laws, the presence of Hazardous Materials (as defined in Paragraph 9E), the physical condition of the Leased Premises, the suitability of the

Leased Premises for the uses to which Lessee intends and/or the suitability of Lessee's plans for construction and the anticipated conduct of its business. There are currently tenants in possession of the East Parcel and, as of the Effective Date, Lessee has not conducted its inspections of the physical condition of the East Parcel. Within sixty (60) days of the satisfaction of the East Parcel Conditions described in clause (i) of Paragraph 3B(2) of this Lease, Lessee shall notify City in writing of its approval or disapproval of its inspections of the physical condition of the East Parcel. Lessee's inspections shall be conducted only upon 72 hours prior notice to City. City shall have the right, but not the obligation, to accompany Lessee during any such inspection. Lessee shall in a timely manner repair any and all damage to the East Parcel caused by its inspections. Lessee shall not unreasonably withhold its approval of the physical condition of the East Parcel. In the event Lessee approves the physical condition of the East Parcel, at the request of either party hereto, the other party shall promptly enter into an addendum to this Lease and a recordable memorandum thereof effecting the addition of such East Parcel, but the failure or refusal of either party to do so shall not affect Lessee's rights to such East Parcel. Lessee's disapproval of the physical condition of the East Parcel shall constitute Lessee's election to terminate this Lease as to the East Parcel only, pursuant to Paragraph 3C. In the event Lessee fails to notify City in writing of its approval or disapproval within the sixty (60) day period described above, Lessee shall be deemed to have approved the results of its investigations and accepted the East Parcel in "AS-IS" and "WHERE-AS" condition pursuant to this Paragraph.

C. Option to Lease Option Parcel. In consideration of Lessee's performance of its obligations set forth in this Lease, City hereby grants to Lessee an option (the "Option") to lease from City the Option Parcel. Currently there is no recorded property line to legally bifurcate the Option parcel as contemplated by this Lease. The City has taken all necessary action as required by the City Planning Commission to legally bifurcate the Option Parcel into two areas that shall be referenced in this Lease as the "North Portion Option Parcel" and the "South Portion Option Parcel." City shall submit the new boundary documentation to the proper Los Angeles County officials for recordation no later than April 30, 2003.

1. Inspection and Acceptance. Lessee hereby exercises its Option to lease the North Portion Option Parcel and the South Portion Option Parcel effective as of the future dates defined below. The exercise of either of these Options is voidable by Lessee in the event property inspections reveal any environmental condition or underlying easement that causes development of such parcel to become economically unfeasible; and the exercise of the South Portion Option Parcel is void automatically in the event that City develops the South Portion Option Parcel with auto dealers and without Lessee's involvement, as described in Paragraph 2.C.3(a) of this Lease. Subject to the foregoing, Lessee's exercise of the Option for the North Portion Option Parcel shall become effective as of April 30, 2003; and Lessee's exercise of the Option for the South Portion Option Parcel shall become effective as of either (i) May 30, 2003, in the event "Concept Plan A" is adopted as depicted in Exhibit "G-1" of this Lease; or (ii) August 31, 2003, in the event "Concept Plan C" is adopted as depicted in Exhibit "G-2" of this Lease. As of the Effective Date, Lessee has not conducted its inspections of the physical condition of the Option Parcel. Prior to March 31, 2003, City shall provide to Lessee any schematic drawings, maps, or other documents defining the locations and specifications of all Option Parcel subterranean utilities, structures, or lines and all Option Parcel easements within possession of City. At any time prior to the effective date of Lessee's exercise of its Option to lease either the North Portion Option Parcel or South Portion Option Parcel, Lessee shall notify City in writing of its approval or disapproval of its inspections of the physical condition of the Option Parcel, as applicable. Lessee's inspections shall be conducted only upon 72 hours prior notice to City. City shall have the right, but not the obligation, to accompany Lessee during any

such inspection. Lessee shall in a timely manner repair any and all damage to the Option Parcel caused by its inspections. Lessee shall not unreasonably withhold its approval of the physical condition of the Option Parcel. Lessee's disapproval of the physical condition of either the North Portion Option Parcel or the South Portion Option Parcel shall constitute Lessee's election to terminate this Lease as to that specific portion of the Option Parcel only, pursuant to Paragraph 3C. Upon acceptance of the physical condition, Lessee shall then commence and complete construction pursuant to the schedule described in Paragraph 10.B.2. In the event Lessee exercises any Option described in this Lease, upon the Delivery Date of such Option Parcel to Lessee, the term "Leased Premises" as used in this Lease shall thereupon be deemed to include the applicable portion or portions of the Option Parcel. In the event Lessee exercises any Option described in this Lease, at the request of either party hereto, the other party shall promptly enter into an addendum to this Lease and a recordable memorandum thereof effecting the addition of such portion or portions of the Option Parcel, but the failure or refusal of either party to do so shall not affect Lessee's rights to such portion or portions of the Option Parcel. In the event Lessee's exercise of its Option to lease any particular portion or portions of the Option Parcel is voided or becomes void, then that particular Option shall automatically terminate and all rights of Lessee in and to that particular portion or portions of the Option Parcel shall then and there cease.

2. North Portion Option Parcel. Subject to acceptance by Lessee pursuant to Paragraph 2.C.1 above, Lessee shall commence and complete construction of the aircraft hangar and FBO office development pursuant to the schedule described in Paragraph 10.B.2, and in accordance with "Concept Plan B" as depicted in Exhibit "G-1" of this Lease.

3. South Portion Option Parcel. Subject to acceptance by Lessee pursuant to Paragraph 2.C.1 above, Lessee and City shall cooperate and work diligently in good faith to (i) meet mutually with auto dealers, (ii) explore feasibility, and (iii) reach agreement concerning the construction and management by Lessee of a parking structure to be located on the South Portion Option Parcel. If Lessee and City reach agreement as to material terms including Parking Structure Development Criteria, then Lessee shall obtain all governmental approvals, commence and complete construction of the parking structure development pursuant to the schedule described in Paragraph 10.B.2, and in accordance with "Concept Plan A" as depicted in Exhibit "G-1" of this Lease.

a) Alternative Development by Dealers. In the event that Lessee and City do not reach agreement as to material terms by April 30, 2003, then City shall have the right until July 31, 2003, to meet with auto dealers unilaterally and explore feasibility of construction by one or more auto dealers of a parking structure to be located on the South Portion Option Parcel. If City and one or more auto dealers reach agreement as to material terms for construction of a parking structure, then Lessee's right to develop a parking structure on the South Portion Option Parcel will be terminated.

In order to provide Lessee with parking to support its development on the North Portion Option Parcel, City agrees to Lease to Lessee all ground-level parking spaces in any parking structure constructed by the City or any auto dealers on the South Portion Option Parcel.

The City will ensure that all ground level parking areas/entrances will have a minimum vertical clearance height of ten feet.

City will also Lease to Lessee any portion of the South Portion Option Parcel not covered by the parking structure. City will ensure that any parking structure constructed by the City or any auto dealers will provide the North Portion Option Parcel with vehicular ingress and egress to the ground level parking. Additionally, City shall provide vehicle ingress and egress to the North Portion Option Parcel from the General Aviation Center parking lot/proposed new security entrance road as depicted in Exhibits G-1 and G-2 and in accordance with City of Torrance rules and regulations regarding airport access by tenants.

Lessee will pay the City a one-time fee representing the cost of the ground level parking structure improvements. The amount of the fee will be computed by multiplying the square footage of the ground level parking structure by Four Dollars-Eighty-Six Cents per square foot (\$4.86). The fee will be due upon the City's issuance of a certificate of occupancy for the parking structure.

- b) Alternative Development by Lessee. In the event that City and one or more auto dealers do not reach agreement as to material terms by July 31, 2003, and subject to acceptance by Lessee pursuant to Paragraph 2.C.1 above, Lessee shall commence and complete construction of the aircraft hangar development pursuant to the schedule described in Paragraph 10.B.2, and in accordance with "Concept Plan C" as depicted in Exhibit "G-2" of this Lease.
- c) Parking Structure Development by City. In the event the City develops the South Portion Option Parcel with a parking structure, then commencing on the date the City issues its certificate of occupancy for the parking structure, Minimum Basic Rent will be increased by the sum of \$1,240 per month [1.24 acres South Portion Option Parcel x \$1,000 x 1.0].

3. TERM; CONDITIONS PRECEDENT

A. Term. The term of this Lease shall commence on the Commencement Date and shall continue until the earlier of (i) the date that is thirty (30) Lease Years from and after the date that City issues its certificate of occupancy for the East Parcel Required Improvements, or (ii) June 30, 2039. A "Lease Year" is a period of twelve (12) consecutive calendar months commencing on the first day of the first full calendar month during the term of the Lease; provided that the first Lease Year shall also include any partial calendar month during which the Commencement Date occurs, if the Commencement Date does not occur on the first day of a calendar month. Upon request by either party, the parties shall execute and deliver to one another an addendum to this Lease setting forth the Commencement Date and expiration date.

B. Conditions Precedent. This Lease shall be effective between the parties as of the Effective Date; provided, however, that Lessee shall have no right to possession of any Parcel prior to the satisfaction of the conditions precedent and the Delivery Date for that Parcel.

1. East Parcel Conditions. The performance of City and Lessee under this Lease with respect to the East Parcel shall be contingent and conditional upon the fulfillment of the following conditions precedent within the prescribed time limits (collectively, the "East Parcel Conditions"): (i) City shall be in a position to deliver the East Parcel to Lessee free and clear of any tenants or Structures on or before either (A) September 30, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as

depicted in Exhibit "G-1" of this Lease; or (B) April 30, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or if Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason ("East Parcel Contingency Date") provided, however, that City shall have an additional period of one hundred twenty (120) days after the East Parcel Contingency Date in which to satisfy the foregoing condition so long as City has, prior to the East Parcel Contingency Date, commenced unlawful detainer proceedings against any tenant who remains in possession of the East Parcel (in which case all dates described in this Paragraph 2, and the East Parcel Construction Completion dates described in Paragraph 10.B(2), shall be postponed by an additional period of one hundred (120) days); (ii) Lessee shall have inspected and reasonably approved the physical condition of the East Parcel on or before either (A) January 31, 2006, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease; or (B) August 31, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or if Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason; and (iii) Lessee shall have submitted applications for all governmental approvals for the West Portion/Phase I of East Parcel Required Improvements and City shall be in a position to issue building permits for the West Portion/Phase I of East Parcel Required Improvements, upon Lessee's payment of the applicable fees, on or before either (A) August 31, 2006, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease; or (B) March 31, 2006, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or if Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason. Lessee shall exercise diligent efforts to satisfy the East Parcel Condition referred to in clause (iii) of the preceding sentence and shall make timely application for all such permits and approvals. In the event that the East Parcel Conditions are not satisfied within the time periods described above, either party shall have the right to terminate this Lease as to the East Parcel, pursuant to Paragraph 3C below. If the termination occurs as the result of Lessee's failure to satisfy any of the conditions contained in this Paragraph 3.B.2, Lessee will be subject to the added rent set forth in Paragraph 5.A.

C. Termination. Upon the failure of any of the East Parcel Conditions, or upon the reasonable disapproval of the physical condition of any Parcel, either party shall have the right to terminate this Lease as to that Parcel by giving written notice of such termination to the other party. Upon such termination of this Lease and provided that such termination is not caused by the breach or default by any party, neither party shall have any further obligation to complete the transactions contemplated by this Lease as to that Parcel. Reasonable disapproval of the physical condition of any Parcel shall not be deemed a breach or default of Lessee, and shall not cause Lessee to incur the added rent set forth in Paragraph 5.A. In the event this Lease is terminated as to any or all Parcels, pursuant to this Paragraph, Lessee shall surrender the affected Parcel(s) to City pursuant to the provisions set forth in Paragraph 12 of this Lease. If, on the date of said termination, Lessee has commenced, but not completed, construction and installation of the Requirement Improvements or any other improvements, City shall have the right, within sixty (60) days after the date of termination, to require Lessee to demolish the uncompleted improvements, and clear them from the Leased Premises.

4. POSSESSION; DELIVERY DATE

As to the West Parcel and the East Parcel, no later than the date that is seven (7) days after the date that the Conditions for that Parcel have been satisfied pursuant to Paragraph 3B of

this Lease, City shall deliver to Lessee written notice in the manner set forth in Paragraph 25 tendering possession of the Parcel to Lessee (the "Notice of Possession"). The date on which the Notice of Possession is deemed effective pursuant to Paragraph 25 shall be deemed the "Delivery Date" for that Parcel and possession shall be delivered to Lessee on that date. Notwithstanding the foregoing, Lessee shall have no obligation to accept tender of possession of the East Parcel prior to (i) January 31, 2006, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease; or (ii) August 31, 2005, in the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or if Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason. As to the Option Parcel, the "Delivery Date" shall be the date that Lessee's exercise of the Option to lease the North Portion Option Parcel and/or the South Portion Option Parcel becomes effective pursuant to Paragraph 2.C.1.

5. MINIMUM BASIC RENT

A. Minimum Basic Rent. Minimum Basic Rent for each Parcel will be \$1,000 per acre per month. Should any material portion of any Parcel be mutually deemed unuseable, the rent for that portion shall be adjusted accordingly.

1. West Parcel Rent. Commencing on the earlier of (i) the date that is three hundred sixty five (365) days after the Commencement Date or (ii) the date City issues its certificate of occupancy for the West Parcel Required Improvements ("Rent Commencement Date") and on the first day of each succeeding calendar month thereafter through the First Rent Adjustment Date, Lessee shall pay to City minimum basic rent ("Minimum Basic Rent") in the amount of \$ 4,330. In the event the Rent Commencement Date does not occur on the first day of a calendar month, the Minimum Basic Rent owing by Lessee for the first partial month shall be prorated based on a thirty (30) day month. The first full months' rent in the amount of \$4,330 plus any partial Minimum Basic Rent for the first partial month in the event the Rent Commencement Date does not occur on the first day of a calendar month shall be due and payable by Lessee on the Commencement Date.

2. North Portion Option Parcel Rent. Commencing on the earlier of (i) October 1, 2004, or (ii) the date City issues its certificate of occupancy for the aircraft hangar and FBO office development in accordance with "Concept Plan B" as depicted in Exhibit "G-1" of this Lease, Minimum Basic Rent shall be increased by the sum of \$1,170 per month [1.17 acres North Portion Option Parcel x \$1,000 x 1.0].

In the event Lessee does not complete, to the City's satisfaction, the aircraft hangar and FBO office development in accordance with "Concept Plan B" as depicted in Exhibit "G-1" of this Lease prior to February 28, 2005, then commencing on March 1, 2005, the Minimum Basic Rent shall be further increased on that date by the sum of \$585 per month [1.17 acres North Portion Option Parcel x \$1,000 x .5].

3. South Portion Option Parcel Rent.

(a) Parking Structure Development (Concept Plan A). In the event Lessee does exercise the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease, then commencing on the earlier of (i) May 1, 2005, or (ii) the date City issues its certificate of occupancy for the parking structure development in accordance with "Concept Plan A" as depicted in Exhibit "G-1" of this Lease, Minimum Basic

Rent shall be increased by the sum of \$1,240 per month [1.24 acres South Portion Option Parcel x \$1,000 x 1.0].

In the event Lessee does exercise the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease, and Lessee does not complete, to the City's satisfaction, the parking structure development in accordance with "Concept Plan A" as depicted in Exhibit "G-1" of this Lease prior to November 30, 2005, then commencing on December 1, 2005, the Minimum Basic Rent shall be further increased on that date by the sum of \$620 per month [1.24 acres South Portion Option Parcel x \$1,000 x .5].

(b) Hangar Development (Concept Plan C). In the event Lessee does exercise the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, then commencing on the earlier of (i) January 1, 2005, or (ii) the date City issues its certificate of occupancy for the aircraft hangar development in accordance with "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, Minimum Basic Rent shall be increased by the sum of \$1,240 per month [1.24 acres South Portion Option Parcel x \$1,000 x 1.0].

In the event Lessee does exercise the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, and Lessee does not complete, to the City's satisfaction, the aircraft hangar development in accordance with "Concept Plan C" as depicted in Exhibit "G-2" of this Lease prior to May 31, 2005, then commencing on June 1, 2005, the Minimum Basic Rent shall be further increased on that date by the sum of \$620 per month [1.24 acres South Portion Option Parcel x \$1,000 x .5].

4. East Parcel Rent. The East Parcel Required Improvements shall be developed in two phases. As depicted in Exhibit "F" of this Lease, the "West Portion/Phase 1" shall be developed first, and the "East Portion/Phase 2" shall be developed second.

(a) Parking Structure Development (Concept Plan A). In the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan A" as depicted in Exhibit "G-1" of this Lease, then commencing on the earlier of (i) January 1, 2009, or (ii) the date City issues its certificate of occupancy for the West Portion/Phase 1 development as depicted in Exhibit "F" of this Lease, Minimum Basic Rent shall be increased by the sum of \$5,980 per month [5.98 acres East Parcel x \$1,000 x 1.0]. If Lessee satisfies the East Parcel Conditions set forth in 3.B.2 and takes possession, but then fails to complete construction of the West Portion/Phase 1 pursuant to Paragraph 10.B.2, then commencing on July 1, 2008, Minimum Basic Rent shall be further increased by the sum of \$2,345 per month [4.69 acres West Portion/Phase 1 x \$1,000 x .5]. If Lessee satisfies the East Parcel Conditions set forth in 3.B.2 and takes possession, but then fails to complete construction of the East Portion/Phase 2 pursuant to Paragraph 10.B.2, then commencing on January 1, 2010, Minimum Basic Rent shall be further increased by the sum of \$645 per month [1.29 acres East Portion/Phase 2 x \$1,000 x .5]. In the event Lessee fails to take possession of the East Parcel without justification, then on or before March 31, 2006, Lessee shall pay a one-time penalty to the City in the amount of \$346,890.

(b) Hangar Development (Concept Plan C). In the event Lessee exercises the Option to lease the South Portion Option Parcel to develop "Concept Plan C" as depicted in Exhibit "G-2" of this Lease, or Lessee fails to exercise any Option to lease the South Portion Option Parcel for any reason, then commencing on the earlier of (i) August 1, 2008, or (ii) the date City issues its certificate of occupancy for the West Portion/Phase 1 development as

depicted in Exhibit "F" of this Lease, Minimum Basic Rent shall be increased by the sum of \$5,980 per month [5.98 acres East Parcel x \$1,000 x 1.0]. If Lessee satisfies the East Parcel Conditions set forth in 3.B.2 and takes possession, but then fails to complete construction of the West Portion/Phase 1 pursuant to Paragraph 10.B.2, then commencing on February 1, 2008, Minimum Basic Rent shall be further increased by the sum of \$2,345 per month [4.69 acres West Portion/Phase 1 x \$1,000 x .5]. If Lessee satisfies the East Parcel Conditions set forth in 3.B.2 and takes possession, but then fails to complete construction of the East Portion/Phase 2 pursuant to Paragraph 10.B.2, then commencing on July 1, 2009, Minimum Basic Rent shall be further increased by the sum of \$645 per month [1.29 acres East Portion/Phase 2 x \$1,000 x .5]. In the event Lessee fails to take possession of the East Parcel without justification, then on or before October 31, 2005, Lessee shall pay a one-time penalty to the City in the amount of \$316,990.

B. Cost of Living Adjustment. Commencing on the first day of the thirty-seventh (37th) full calendar month following the Commencement Date, and continuing each third year anniversary thereafter ("CPI Rent Adjustment Date"), the Minimum Basic Rent for the Leased Premises shall be increased by the sum of the CPI Increase Amount for each of the three (3) Lease Years preceding the CPI Rent Adjustment Date. The CPI Increase Amount for each Lease Year shall be equal to the greater of (i) three percent (3%) of the Minimum Basic Rent payable on the last month of the Lease Year or (ii) the percentage increase in the Consumer Price Index, All Urban Consumer (1982-4=100) for the Los Angeles-Riverside-Orange County CMSA (the "Index") issued by the United States Bureau of Labor Statistics, Department of Labor (the "Bureau") for that Lease Year, not to exceed six percent (6%) of the Minimum Basic Rent payable as of the last month of that Lease Year. The percentage increase in the Index for each Lease Year shall be determined by dividing the Index published most immediately preceding the last day of the Lease Year by the Index published twelve (12) months prior. In the event the Index is not published in the month that is twelve (12) months prior, the Index utilized shall be the Index published for the month which is closest chronologically.

If the Bureau shall revise the Index, the parties shall accept the method of revision or conversion recommended by said Bureau. If said Index shall be discontinued with no recommended substitute, another consumer price index for the Los Angeles Metropolitan area which includes the City of Torrance, and which is generally recognized as authoritative, shall be substituted by agreement of the parties. If the parties are unable to agree within thirty (30) days after demand by either party, on application of either party, a substitute index shall be selected by the Chief Officer of the San Francisco Regional Office of the Bureau of Labor Statistics, or its successor.

6. PERCENTAGE RENT

A. Percentage Rent Payment. In addition to the Minimum Basic Rent to be paid to City by Lessee, for each Lease Year during the term of this Lease, commencing on the Rent Commencement Date, Lessee shall pay to City as "Percentage Rent" the respective amounts set forth in subparagraph B of this Paragraph 6 if and to the extent that such Percentage Rent exceeds the aggregate amount of Minimum Basic Rent payable for the Lease Year in question. Percentage Rent, if any, shall be paid annually in arrears pursuant to the provisions of Paragraph 6C.

B. Percentage of Adjusted Gross Receipts.

The amount of Percentage Rent due for each Lease Year shall be the amount, if any, by which a sum equal to the "Percentage Rate" (defined below) of the amount of "Adjusted

Gross Receipts" (defined in Paragraph 6B(3)) derived from the Leased Premises with respect to such Lease Year exceeds the aggregate amount of Minimum Basic Rent payable to City for such Lease Year.

The Percentage Rate means the following percentages:

(a) For each of the first five (5) Lease Years, the Percentage Rate shall be nine percent (9%);

(b) For each of the sixth through and including the tenth Lease Years, the Percentage Rate shall be ten percent (10%);

(c) For each of the eleventh through and including the fifteenth Lease Years, the Percentage Rate shall be eleven percent (11%);

(d) For each of the sixteenth through and including the twentieth Lease Years, the Percentage Rate shall be twelve percent (12%); and

(e) For each subsequent Lease Year during the term of this Lease, the Percentage Rate shall be thirteen percent (13%).

The term "Adjusted Gross Receipts," as used in this Lease, shall mean all rentals (including without limitation fixed rent and percentage rent) and other payments paid to Lessee directly or indirectly by "tenants" (hereinafter defined) (but excluding the amounts of rentals not collected due to any default or bankruptcy of any tenant) for the occupancy or use of all or any portion of the Leased Premises, together with (i) the reasonable rental value of any part of the Leased Premises occupied by Lessee or any "Affiliate of Lessee" (defined in Subparagraph 6E) calculated on a square footage basis with respect to the particular area utilized by Lessee or such Affiliate, with such rental value to be equal or substantially equal to the rental value of similar space located on that Parcel, and (ii) any and all monies and other things of value received by Lessee or any Affiliate of Lessee as consideration for the use or occupancy of all or any part of that Parcel. Notwithstanding the foregoing, however, the term "Adjusted Gross Receipts" shall not include any of the following: (i) any security and other refundable deposits received by Lessee from any tenant, except to the extent that such security deposit is an advance payment of rent; (ii) any monies or property received by Lessee as consideration for the assignment of Lessee's (including Lessee's successors and assigns) interest, in whole or in part, in the Leased Premises; (iii) amounts either paid by Lessee or paid to Lessee by tenants which represent any payment or credit for payment of real property taxes, calculated applicable portion of the minimum ground lease, insurance premiums, utilities, maintenance, repairs, common area charges paid or payable by Lessee to third parties, customary and reasonable management fees or similar charges paid by tenants to Lessee or credited to tenants by Lessee in connection with such common area maintenance charges, services, or benefits; or (iv) the reasonable rental value of space used by Lessee for management and leasing offices. In the event the Leased Premises should ever be subleased in whole or in part to any person or entity which does not itself use or occupy such subleased premises, but instead further subleases the same for use or occupancy by others, such occupancy rentals and subrentals derived from such further subleases shall be included in the term "Adjusted Gross Receipts" for purposes of this Lease, notwithstanding that such occupancy rentals or subrentals shall be payable to a person or entity other than Lessee; provided, however, that in the case of a sublease made by Lessee to a non-Affiliate of Lessee on an arm's-length basis providing for fair rentals at the time entered into, only the rentals payable by the sublessees to Lessee shall be included in Adjusted Gross Receipts. The term "sublease"

shall include subleases, underlettings, concessions, licenses, or other arrangements at any level for the use or occupancy of any portion of the Leased Premises, and the term "rental" or "occupancy rental" shall include all rent, monies, and other considerations paid for the use or occupancy of the Leased Premises or any part thereof except as excluded by any of the foregoing. The Adjusted Gross Receipts for the East Parcel shall not be used in calculating the Percentage Rent until the date Minimum Basic Rent on the East Parcel first commences pursuant to Paragraph 5A(4) of this Lease. In the event Lessee exercises the Option to Lease the North Portion Option Parcel, the Adjusted Gross Receipts for the North Portion Option Parcel shall not be used in calculating the Percentage Rent until the date Minimum Basic Rent on the North Portion Option Parcel first commences pursuant to Paragraph 5A(2) of this Lease. In the event Lessee exercises the Option to Lease the South Portion Option Parcel, the Adjusted Gross Receipts for the South Portion Option Parcel shall not be used in calculating the Percentage Rent until the date Minimum Basic Rent on the South Portion Option Parcel first commences pursuant to Paragraph 5A(3) of this Lease.

EXAMPLE: (Amount rounded for convenience) In Lease Year 1, if the Leased Premises are comprised of the Initial Leased Premises, the aggregate Minimum Basic Rent is \$51,960, and the Adjusted Gross Receipts accruing to the Initial Leased Premises for the first Lease Year is \$600,000, then the Percentage Rent due to City would be \$54,000. [$\$600,000$ (Adjusted Gross Receipts) \times 0.09]. Since the Percentage Rent due to the City is greater than the Minimum Basic Rent the additional amount due to the City is \$2,040.

Lessee covenants and agrees that each sublease will be entered into on an arm's-length basis providing for fair rentals or other payments at the time entered into. Lessee shall disclose to the City any transactions (i) with Affiliates of Lessee or (ii) with any person or entity which has entered into any lease, license or concession agreement with Lessee or any Affiliate of Lessee for any property other than the Leased Premises.

C. Time Payable. Percentage Rent shall be paid to City no later than the date that is sixty (60) days after the last day of each Lease Year during the term of this Lease at the same time as the Annual Reports described in Paragraphs 6D(1) and (3) below, are submitted to City. The obligations of Lessee under this Paragraph 6 which arise prior to the expiration or earlier termination of this Lease shall survive the expiration or earlier termination of this Lease.

D. Report Payment and Audit.

Within sixty (60) days following the end of each Lease Year during the term of this Lease, Lessee shall make a report in writing, in triplicate, to the Director of Finance of the City, which shall set forth:

(a) The name(s), the commencement and termination dates and location of that portion of the Leased Premises used or occupied by each tenant;

(b) The total amount of Adjusted Gross Receipts payable and paid during the preceding Lease Year by each such tenant (including Affiliates of Lessee);

(c) The location of any part of the Leased Premises occupied by Lessee or any Affiliate of Lessee and the square footage utilized thereby; and

(d) The amount of Percentage Rent, if any, due to City under the provisions of this Paragraph 6.

The term "tenant" as used in this Paragraph 6 shall mean and include any person from whom rent or other payment or consideration is received, including but not limited to a sublessee, concessionaire, licensee and any other person using or occupying any portion of the Parcel from whom any such rent, payment or other consideration is received.

Lessee agrees to deliver to the City within sixty (60) days after the end of each Lease Year a "Certified Statement of Adjusted Gross Receipts" showing the Adjusted Gross Receipts for such Lease Year. Each "Certified Statement of Adjusted Gross Receipts" shall be a complete statement made and signed by a certified public accountant on behalf of Lessee, showing accurately and in reasonable detail the amount of the Adjusted Gross Receipts for the Lease Year for which the same is required.

Lessee shall keep complete and adequate books and reports in accordance with generally accepted accounting principles, consistently applied sufficient to show all Adjusted Gross Receipts received by or for the account of Lessee from all tenants of the Leased Premises for the period covering at least the four (4) most recent Lease Years or, if longer, until any dispute involving or relating to the subject matter of such books and reports has been resolved.

The City shall have the right to inspect and audit at its own expenses such records used as the basis of such reports during normal business hours upon reasonable prior notice to Lessee for the purpose of determining the accuracy of such reports. In any event, this right to inspect shall lapse one (1) year after the City's receipt of the Certified Statement of Adjusted Gross Receipts.

If, upon any examination by the City of the books and records of Lessee, an error shall be revealed in favor of the City which results in there being due to the City for any year additional rent in the amount of ten percent (10%) or more of that reported by Lessee, then the reasonable cost of such examination shall be paid by Lessee to the City.

E. Certain Definitions. As used in this Lease: "Affiliate" means any entity which, directly or indirectly, Controls, is Controlled by, or is under common Control with Lessee; and "Control" (and its derivatives) means the ownership, directly or indirectly, of at least fifty-one percent (51%) of the voting securities of, or possession of the right to vote, in the ordinary direction of its affairs, of at least fifty-one percent (51%) of the voting interest in, any person or entity.

7. PAYMENT OF RENT; LATE CHARGE

A. Place of Payment. All Minimum Basic Rent, Percentage Rent and Additional Rent payments shall be paid when due, without notice or demand and without deduction, counterclaim or offset, to City at the office of the Finance Director of the City at 3031 Torrance Boulevard, Torrance, California, 90503, or at such place as City shall from time to time designate in writing.

B. Late Charge. Lessee hereby acknowledges that late payment by Lessee to City of rental or other sums due hereunder will cause City to incur costs not contemplated by this Lease, the exact amount of which is difficult and impracticable to fix. Such costs include, but are not limited to, processing and accounting charges. Accordingly, any payment of any sum to be paid by Lessee not paid within five (5) business days of its due date shall be subject to a five percent (5%) late charge and a late charge in that same amount shall be due and payable on the first day of each month thereafter that such payment remains outstanding. City and Lessee agree

that this large charge represents a fair and reasonable estimate of the costs and expenses City will incur by reason of late payment by Lessee, and is a fair compensation to City for its loss suffered by such late payment by Lessee. The provisions herein for payment of late charges shall not be construed to extend the date for payment of any sums required to be paid by Lessee hereunder or to relieve Lessee of its obligation pay all such sums at the time or times herein stipulated. Notwithstanding the imposition of such late charges, Lessee shall be in default under this Lease if any or all payments required to be made by Lessee are not made at the time herein stipulated, and neither the demand for, nor collection by, City of such late charges shall be construed as a curing of such default on the part of Lessee.

C. Interest. Any sum to be paid pursuant to the terms of this Lease not paid when due shall bear interest from and after the due date until paid at a rate equal to twelve percent (12%), so long as the rate does not exceed the maximum non-usurious rate permitted by law, in which case interest shall be at the maximum non-usurious rate allowed by law at the time the sum became due.

8. TAXES, ASSESSMENTS, UTILITY CHARGES, AND ADDITIONAL RENT

A. Net Lease. It is the intention of City and Lessee that all costs, expenses and obligations of every kind relating to the Leased Premises or the use, operation or occupancy thereof which may arise or become due during the term of this Lease shall be paid by Lessee and that City shall be indemnified by Lessee against such costs, expenses, and obligations.

B. Payment of Taxes. As to each Parcel, commencing on the Delivery Date for that Parcel, Lessee shall pay, prior to delinquency, all taxes which shall be levied against the Parcel, Lessee's interest therein or Lessee's property thereon including but not limited to any real estate or possessory interest taxes assessed against the Parcel, or against any Improvements erected or constructed by the Lessee on said Parcel, or which become a lien against said Parcel or its interest therein or its property thereon or against any Improvements erected or constructed by the Lessee on said Parcel during the term of this Lease. Lessee, upon written request, shall provide proof of its payment of such taxes.

C. Payment of Assessments. As to each Parcel, commencing on the Delivery Date for that Parcel, Lessee shall pay before delinquent any assessments against the Parcel or against any improvements erected or constructed by the Lessee on the Parcel made for maintenance purposes, such as lighting. In the event that the assessing agency will permit payment of such assessments on an installment basis, Lessee may elect to make the assessment payments on such basis. Lessee's obligations under this Subparagraph 8(C) shall be limited to those assessments which are payable during the term of this Lease and any extension thereof.

D. Ad Valorem Taxes. If, during the term, federal or state taxes shall be imposed, assessed or levied on the fee interest of City in the Leased Premises, or on or with respect to any real or personal property constituting a portion of the fee interest of City in the Leased Premises, or on the rents derived by City from the Leased Premises in lieu of or in addition to such real or personal property taxes, and such new tax would most fairly be characterized as in the nature of an ad valorem or use tax, as opposed to an income or franchise tax on City's income, Lessee shall pay all such taxes, assessments, levies or charges imposed upon City within thirty (30) days of demand therefor by City, along with the City's calculations for such tax.

E. Utilities. Lessee shall pay or cause to be paid, as and when the same may become due and payables, all charges for water, gas, heat, electricity, power, sewer, telephone services, trash removal, and all other services and utilities used in, upon or about the Leased Premises.

F. Additional Rent. In addition to Minimum Basic Rent and Percentage Rent, all taxes, charges, and sums payable by Lessee hereunder are acknowledged and agreed by Lessee to constitute additional rent ("Additional Rent") under this Lease, whether or not such charges and sums be designated as such. City shall have the same rights and remedies upon Lessee's failure to pay Additional Rent, or any portion thereof, as for the nonpayment of Minimum Basic Rent or Percentage Rent.

9. USE OF LEASED PREMISES

A. Permitted Use.

Initial Leased Premises. Lessee shall use and occupy the Initial Leased Premises solely for West/East Parcel Aeronautical Uses and for no other use or purpose. The term "West/East Parcel Aeronautical Uses" shall mean the following uses:

- New and/or used aircraft sales or rental
- Aircraft storage
- Maintenance, restoration, repair or modification of aircraft
- Line service for transient aircraft
- Sale of aircraft parts, components, accessories and allied equipment
- Sale of new and used avionics and aircraft-related electronic equipment
- Sale of new and used aircraft instruments
- Sale of pilot supplies and accessories
- Flight operations, including ground and flight school
- Charter/air taxi operations
- Maintenance, repair, overhaul and modification of aircraft engines, airframes, instruments, avionics, electronics equipment and other related aviation equipment
- Rental of aircraft storage hangers and open tie-down facilities
- Washing, detailing and waxing of aircraft
- Providing upholstery, cabinetry and interior services for aircraft
- Parachute, fire extinguisher and oxygen services for aircraft
- Aircraft stripping and refinishing
- Aircraft fueling and fuel storage facilities in compliance with Paragraph 9.B below (maximum of one fueling facility per Parcel)

In order to qualify as a West/East Parcel Aeronautical Use within the meaning of this Paragraph, (i) as to each sub-tenant, the aeronautically related portion of the goods tendered or services rendered by the subtenant on the Initial Leased Premises must be equal to or greater than sixty percent (60%) of the gross revenues received or total services provided by that particular sub-tenant on the Initial Leased Premises, (ii) as to Lessee, the aeronautically related portion of the goods tendered or services rendered by Lessee on the Initial Leased Premises must be equal to or greater than sixty percent (60%) of the gross revenues received or total services provided by Lessee on the Initial Leased Premises. Lessee and any sub-tenant may be audited from time to time by City to ascertain whether they are in compliance with this Paragraph. Any sub-tenant found out of compliance will be subject to sub-lease termination. Failure by Lessee to terminate any non-complying sub-tenant will be deemed a default under this Lease. Lessee shall cause its sub-tenants to cooperate with City in City's efforts to ascertain compliance with this Paragraph.

In connection therewith, and not by way of limitation of the foregoing, Lessee shall include in each sublease agreement a provision requiring the sub-tenant to cooperate with City in City's efforts to ascertain compliance with this Paragraph and City shall be added as a third party beneficiary to that provision of the sublease. Within thirty (30) days following the end of each Lease Year, Lessee shall submit to City an affidavit certifying its compliance with the provisions set forth in this Paragraph.

Any use not specifically listed in this Paragraph as a West/East Parcel Aeronautical Use requires the prior written consent of the City Council, which consent may be granted or withheld in the City Council's sole and absolute discretion.

Option Parcel. Lessee shall use and occupy the Option Parcel solely for Option Parcel Aeronautical Uses and for no other use or purpose. The term "Option Parcel Aeronautical Uses" shall mean the following uses:

- New and/or used aircraft sales or rental
- Aircraft storage
- Maintenance, restoration, repair or modification of aircraft
- Line service for transient aircraft
- Sale of aircraft parts, components, accessories and allied equipment
- Sale of new and used avionics and aircraft-related electronic equipment
- Sale of new and used aircraft instruments
- Sale of pilot supplies and accessories
- Flight operations, including ground and flight school
- Charter/air taxi operations
- Maintenance, repair, overhaul and modification of aircraft engines, airframes, instruments, avionics, electronics equipment and other related aviation equipment
- Rental of aircraft storage hangers and open tie-down facilities
- Washing, detailing and waxing of aircraft
- Providing upholstery, cabinetry and interior services for aircraft
- Servicing and repair of aircraft
- Providing upholstery, cabinetry and interior services for aircraft
- Parachute, fire extinguisher and oxygen services for aircraft
- Aircraft stripping and refinishing
- Aviation insurance sales
- Aviation attorneys
- Aviation appraisers
- Aviation consultants
- Aviation medical officers and examiners
- Aviation Financing
- Aircraft fueling and fuel storage facilities in compliance with Paragraph 9.B below

In order to qualify as an Option Parcel Aeronautical Use within the meaning of this Paragraph, (i) as to each sub-tenant, the aeronautically related portion of the goods tendered or services rendered by the subtenant on the Option Parcel must be equal to or greater than sixty percent (60%) of the gross revenues received or total services provided by that particular sub-tenant on the Option Parcel, (ii) as to Lessee, the aeronautically related portion of the goods tendered or services rendered by Lessee on the Option Parcel must be equal to or greater than sixty percent (60%) of the gross revenues received or total services provided by Lessee on the Option Parcel. Lessee and any sub-tenant may be audited from time to time by City to ascertain whether they

are in compliance with this Paragraph. Any sub-tenant found out of compliance will be subject to sub-lease termination. Failure by Lessee to terminate any non-complying sub-tenant will be deemed a default under this Lease. Lessee shall cause its sub-tenants to cooperate with City in City's efforts to ascertain compliance with this Paragraph. In connection therewith, and not by way of limitation of the foregoing, Lessee shall include in each sublease agreement a provision requiring the sub-tenant to cooperate with City in City's efforts to ascertain compliance with this Paragraph and City shall be added as a third party beneficiary to that provision of the sublease. Within thirty (30) days following the end of each Lease Year, Lessee shall submit to City an affidavit certifying its compliance with the provisions set forth in this Paragraph.

In addition to the Option Parcel Aeronautical Uses set forth above, Lessee may utilize a portion of the Option Parcel for the following:

- Aeronautical Museum - no greater than 7,000 square feet
- Restaurant(s) - no greater than 3,000 square feet total
- Automobile parking facility(ies) - subject to approval by FAA

Any use not specifically listed in this Paragraph requires the prior written consent of the City Council, which consent may be granted or withheld in the City Council's sole and absolute discretion.

B. Use Restrictions. Notwithstanding any other provision of this Lease to the contrary and without limiting the restriction on Lessee's use of the Leased Premises set forth in Paragraph 9A, in no event shall Lessee use the Leased Premises, or any portion thereof, for: (a) any aircraft services likely, as determined by City in its sole and absolute discretion, to violate the nighttime curfew on aircraft takeoffs; (b) salvage yard activities of any type; or (c) without the prior written consent of the City, the storage or service of jet aircraft or the sale of jet or turbine fuel

C. Covenant to Operate. Lessee covenants and agrees to continuously operate or cause to be continuously operated uses in compliance with Paragraph 9.A.1 and 9.A.2 located on the Leased Premises within the improvements as set forth in Exhibit F and G throughout the term of this Lease.

D. Compliance With Law. Lessee shall comply, at its sole cost and expense, with all applicable statutes, ordinances, rules, laws or regulations of any governmental agency (including, without limitation, those of the City of Torrance) with respect to the use, operation, and occupancy of the Leased Premises. Lessee shall make any alteration or improvement necessary or required to comply with any applicable law with respect to Lessee's use, operation and occupancy of the Leased Premises. Lessee shall not conduct or permit to be conducted on the Leased Premises any public or private nuisance or commit or permit to be committed any waste upon the Leased Premises. Lessee shall be solely responsible for monitoring the conduct and ensuring the safety of its tenants, employees, agents, and invitees on the Leased Premises.

E. Compliance with Environmental Laws. Lessee shall not engage in any activity on or about the Leased Premises that violates any "Environmental Law" (as defined below), and shall promptly, at Lessee's sole cost and expense, take all investigatory and/or remedial action required or ordered by any governmental agency or Environmental Law for clean-up and removal of any contamination involving any "Hazardous Material" (as defined below) created or caused directly or indirectly by Lessee. The term "Environmental Law" shall mean any federal, state or local law, statute, ordinance or regulation pertaining to health, industrial hygiene or the

environmental conditions on, under or about the Leased Premises, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (“CERCLA”), 42 U.S.C. Sections 9601 et seq.; (ii) the Resource Conservation and Recovery Act of 1976 (“RCRA”), 42 U.S.C. Sections 6901 et seq.; (iii) California Health and Safety Code Sections 25100 et seq.; (iv) the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5 et seq.; (v) the Federal Water Pollution Control Act, 33 U.S.C. Sections 1317 et seq.; (vi) California Water Code Section 1300 et seq.; and (vii) California Civil Code Section 3479 et seq., as such laws are amended and the regulations and administrative codes applicable thereto. The term “Hazardous Material” includes, without limitation, any material or substance which is (i) defined or listed as a “hazardous waste”, “extremely hazardous waste”, “restrictive hazardous waste” or “hazardous substance” or considered a waste, condition of pollution or nuisance under the Environmental Laws; (ii) petroleum or a petroleum product or fraction thereof; (iii) asbestos; and/or (iv) substances known by the State of California to cause cancer and/or reproductive toxicity. It is the intent of the parties hereto to construe the terms “Hazardous Materials” and “Environmental Laws” in their broadest sense. Lessee shall provide all notices required pursuant to the Safe Drinking Water and Toxic Enforcement Act of 1986, California Health and Safety Code Section 25249.5 et seq. City makes no representations as to the existence or nonexistence of any Hazardous Materials on, in, or about the Leased Premises. Each party shall immediately notify the other of its receipt of any notice, citation or other communication relating to the presence, storage, use or release of any Hazardous Material (in excess of levels permitted by law) in, under, on or about the Leased Premises.

F. Compliance with the Torrance Municipal Airport Code and Noise Abatement Programs or Ordinance. Lessee expressly covenants to at all times make reasonable and prudent efforts to assure that owners and operators of aircraft based on or operating from the Leased Premises adhere to all duly adopted provisions set forth in Division 5 of the City of Torrance Municipal Code (“Airport Code”). Lessee further agrees to abide by all rules and regulations promulgated pursuant to the Airport Code. In furtherance of Lessee’s obligations pursuant to this Paragraph 9F, Lessee shall inform its employees, customers and invitees of all noise abatement programs, ordinances, rules, procedures and any regulations relating thereto. Lessee shall, at the City’s request, provide written documentation of its compliance with the requirements of this Paragraph 9F.

Lessee shall cooperate fully with the City in the enforcement of the provisions of the Airport Code, the ordinances, rules and regulations promulgated thereunder or in addition thereto and all noise abatement programs and ordinances now or hereafter adopted by the City, including (without limitation) providing to City of all information available to Lessee concerning any violations of the Airport Code, the rules and regulations promulgated thereunder, or any noise abatement program or ordinances by any of Lessee’s employees, customers, or invitees.

G. FAA Provisions.

1. Lessee, in the operations to be conducted pursuant to the provisions of this Lease and otherwise in the use of the Airport, shall not discriminate against any person or class of persons by reason of race, color, sex, creed or national origin as in any manner prohibited by Part 15 of the Federal Aviation regulations or any amendments thereto.

2. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof. It shall charge fair, equal and not unjustly discriminatory prices for each unit or service; provided, however, that the Lessee may

be allowed to make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers in accordance with the other provisions of this Lease with regard to discounts and rebates.

3. Noncompliance with these provisions in regards to any particular Parcel shall constitute a material breach of this Lease as to that Parcel. In the event of such noncompliance, City shall have the right to terminate without liability (in accordance with FAA rules and subject to California and federal notice and due process requirements), or, at the election of the City or the United States, both shall have the right to judicially enforce the foregoing provisions.

Lessee agrees to insert the anti-discrimination provisions hereinabove enumerated in any agreement 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 Leased Premises.

Lessee shall comply with the notification and review requirements covered in Part 77 of the Federal Aviation regulations in the event any future structure or building is planned or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises.

City hereby reserves a right of flight for the passage of aircraft in the airspace above the surface of the Leased Premises together with the right to create in said airspace such noise as is or shall become inherent in the operation of aircraft operating on the Airport.

Lessee, by accepting this Lease, expressly agrees for itself, its successors and assigns that it shall not use the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from on or off the Airport or otherwise create a hazard. In such an event, City reserves the right to enter upon the Leased Premises and cause the abatement of the interference or hazard at the expense of Lessee.

This Agreement 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 or commandeering of the Airport or the exclusive or non-exclusive use of the Airport by the United States during the time of war or national emergency.

Lessee shall operate the Leased Premises for the use and benefit of the public, make available all Lessee's airport facilities to the public, without discrimination on the grounds of sex, race, color or national origin and to refrain from imposing or levying excessive, discriminatory or otherwise unreasonable charges or fees for any use of its facilities or services. Nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958, as amended.

H. No Interference With Air Navigation. Lessee agrees that (i) it will not erect or permit the erection or growth of any building, structure, tree or other object on said Leased Premises above any maximum standards as set by City or the FAA; (ii) it will not use the Leased Premises or permit the Leased Premises to be used in any manner which might interfere with the landing or taking off of aircraft from the Airport, or which otherwise constitutes an air navigation obstruction, or interference; and (iii) it will not light or operate, or cause to be lighted or operated, any equipment which (as may be determined by the Airport Authority in its sole discretion) would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the Airport.

I. City Reservations.

The City reserves the following rights from the leasehold estate created hereby:

(a) the right to take any lawful action necessary to prevent the erection or growth of any building, structure, tree or other object into the air space above those elevations set forth in subparagraph 9H herein, and to remove from such air space, or mark and light as obstructions to air navigation, any and all Improvements, trees or other objects that may at any time project or extend above said elevation together with the right of ingress to, egress from, and passage over the said Leased Premises for such purposes;

(b) the right upon reasonable notice to Lessee to enter onto the Leased Premises for the purpose of causing the abatement of any interference with the landing and taking off of aircraft from the Airport; and

(c) the right, for the use and benefit of the public, of flight for the passage of aircraft in the air space above the surface of said Leased Premises, together with the right to cause in said air space such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of, or flight in the air, using said air space or landing at, or taking off from, or operating at, or on the Airport.

“Aircraft” as used in this Paragraph includes aircraft now or hereafter developed which utilize the air or such air space whether similar or dissimilar to existing aircraft.

“Interference” as used in this Paragraph includes without limitation any interference with radar, any electrical or other interference with radio or other communication between the Airport and aircraft, or any use or activity which makes it difficult for pilots to distinguish between the Airport and other lights, creates glare or otherwise impairs visibility or which otherwise endangers the landing, taking off or maneuvering of aircraft or the safety of those using the Airport, or is hazardous thereto.

In the event that the City lawfully exercises any of its rights pursuant to the provisions of this Paragraph 9I, the City shall not be liable to the Lessee for any damage suffered as a result thereof and the Lessee shall reimburse the City for all reasonable and necessary expenses incurred by the City therefor, provided, however, that the City shall be liable for any damage caused by the City’s exercise of its rights pursuant to this Paragraph 9, where such exercise shall have been unreasonable and without care.

This Lease is made upon the express condition and in consideration of the City’s leasing the Leased Premises herein provided, and Lessee covenants that Lessee hereby releases the City, its officers, employees, agents and contractors from any liability from, and voluntarily assumes all risk of loss, damage or injury to the person or property of Lessee (including the leasehold interest of Lessee herein), and its officers, agents, invitees or employees, sublessees, assignees, transferees, licensees, concessionaires and of any other person in or about the Leased Premises, which during the term of this Lease may be caused by or arise or occur in any manner by reason of the right of flight easement set forth in this Paragraph 9, including, but not limited to, loss, damage or injury from the following:

(a) From the flight of any aircraft of any and all kinds now or hereafter flown in, through, across, around or about any portion of the airspace over the Leased Premises;

(b) From noise, vibration, currents and other effects of air, illumination and fuel consumption, or fear thereof, arising or occurring from or during the flight of any aircraft described in subparagraph 2, or from or during the use by such aircraft of airport facilities, including, but not limited to, landing, storage, repair, maintenance, operation, run-up, and take-off of such aircraft, and the approach and departure of aircraft to or from said airport.

10. ALTERATIONS AND IMPROVEMENTS

A. City Improvements. City hereby covenants and agrees that it shall at its sole cost and expense subject to the imposition of normal real property taxes but not any special assessments, no later than the date that is six (6) months after the Delivery Date of the Parcel in question deliver to each Parcel water service, storm drain and sewer service to the property line. The installation and construction of water service and other facilities outside of the boundaries of the Leased Premises shall be at the expense of City. The installation, construction, repair and maintenance of all service assemblies, plumbing and other facilities from the water meters to and within the individual businesses and buildings shall be at the expense of Lessee.

B. Lessee Improvements.

1. Construction Obligation. Lessee shall construct on the East Parcel and the West Parcel the East Parcel Required Improvements and the West Parcel Requirement Improvements. Failure by Lessee to construct the East Parcel Required Improvements will result in the termination of this Lease only as to the East Parcel. In the event Lessee exercises its Option to lease the Option Parcel, Lessee shall construct on the Option Parcel the Option Parcel Required Improvements. The East Parcel Required Improvement, the West Parcel Requirement Improvements, and the Option Parcel Required Improvements (collectively, the "Required Improvements") shall be constructed in strict accordance with the plans and specifications approved by City.

2. Construction Commencement and Construction Completion. Subject to Paragraph 10C(2)(c), Lessee shall commence and complete construction of the Required Improvements within the time set forth below:

<u>Parcel</u>	<u>Construction Commencement</u>	<u>Construction Completion</u>
West Parcel	Within 8 months after Delivery Date of West Parcel	June 30, 2003
North Portion Option Parcel, Concept B*	March 31, 2004	February 28, 2005
South Portion Option Parcel, Concept A*	May 31, 2004	November 30, 2005
South Portion Option Parcel, Concept C**	June 30, 2004	May 31, 2005
East Parcel, West Portion/ Phase 1***	If Concept A, then December 31, 2006 If Concept C, then July 31, 2006	If Concept A, then June 30, 2008 If Concept C, then January 31, 2008
East Parcel, East Portion/ Phase 2****	If Concept A, then November 30, 2008 If Concept C, then May 31, 2008	If Concept A, then December 31, 2009 If Concept C, then June 30, 2009

* As depicted in Exhibit "G-1" of this Lease.

** As depicted in Exhibit "G-2" of this Lease.

*** As depicted in Exhibit "F" of this Lease.

C. General Construction Requirements. The Required Improvements and any other improvements to be constructed by Lessee on the Leased Premises (collectively, the "Improvements") shall be installed and constructed in accordance with the following provisions:

1. Site Preparation.

(a) Soils investigation. Prior to acceptance of any Parcel, Lessee shall engage the services of a State of California certified civil engineer who is experienced and knowledgeable in the practice of soils engineering, and who is reasonably acceptable to the City Manager (or a designee chosen by the City Manager in his or her sole discretion). Said engineer shall conduct a soils investigation of the site in accordance with a formal proposal set forth by said engineer and shall render a written report of his findings and recommendations to the City and Lessee. Lessee shall bear the entire cost of said soils investigation analysis.

(b) Risk of Lessee. Lessee shall construct improvements on the Leased Premises in compliance with all guidelines and recommendations contained in the written

report prepared pursuant to subparagraph (a) above; Lessee shall proceed at its own risk as to the condition of the soil.

(c) Preparation for Development. Any and all work or activities necessary to prepare the Leased Premises for development shall be the responsibility, and be done at the cost of Lessee, subject to Paragraph 10A. City shall remove at its sole cost the soil stock-pile on the West Parcel.

(d) Grading. Lessee shall grade the Leased Premises at its own expense in accordance with a grading plan to be prepared by the Lessee at its own expense and approved by the Director of Building and Safety of the City. Lessee shall obtain a grading permit therefor and shall grade said Leased Premises in accordance with the provisions of the Torrance Municipal Code and any amendments thereto and any other applicable laws.

2. Construction.

(a) Site Plans. All construction and reconstruction shall be in accordance with site plans, elevation drawings and architect's sketches required to be on file in the office of the Planning Director of the City, or such plans, drawings and sketches as amended by Lessee, with the written reasonable approval of the City Manager (or his or her designee chosen in his or her sole discretion) as submitted by Lessee in its response to the City's request for proposals, subject to further study and negotiation.

(b) Building Permits and Parcel Map. Before constructing or reconstructing any improvements, Lessee shall obtain a building permit(s) from the Director of Building and Safety as required by the Torrance Municipal Code (which incorporates the City's Building and Fire Codes) and any amendments thereto and any other applicable laws.

(c) Force Majeure. The time within which Lessee is obligated to construct, repair or rebuild the Required Improvements, or cure any default on the part of Lessee hereunder shall be extended for a period of time equal in duration to, and performance in the meantime shall be excused on account of and for and during the period of, any delay caused by strikes, threats of strikes, lockouts, war, threats of war, insurrection, invasion, acts of God, calamities, violent action of the elements, fire, action or inaction or regulation of any governmental agency, law, ordinance, referendum, shortage of materials or labor, or other similar things beyond the reasonable control of Lessee (collectively, "force majeure"). Adverse market conditions or the inability to obtain financing or tenant commitments shall not constitute an event of force majeure.

(d) FAA Filing. Prior to the commencement of construction or reconstruction, Lessee shall file Form 7460-1 and receive approval thereof from the FAA.

(e) Interference with Aircraft. Lessee shall not light or operate, or cause or permit to be lighted or operated, any equipment which would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the Airport.

(f) Performance Guaranty. On or before the date of commencement of any reconstruction or construction of any improvement, Lessee shall provide such documentation and/or perform such acts in accordance with the terms as may be agreed upon between Lessee and the City for the purpose of guarantying the performance of any work undertaken by Lessee.

(g) Property of Lessee. Any improvements which shall be constructed, reconstructed or placed on the Leased Premises shall be deemed the property of Lessee for the term of this Lease and any extension thereof, subject to the terms and conditions hereof, and shall become the property of the City upon the expiration or earlier termination of this Lease as provided in Paragraph 13 herein. Lessee shall be responsible for all maintenance of all Improvements thereon constructed by Lessee in accordance with the provisions of this Lease.

(h) No Parcelization. Neither the Leased Premises nor the leasehold interest of Lessee or any of Lessee's successors in interest therein shall be subdivided or parcelized (beyond the Parcels) , including without limitation, the recording of any tentative or final subdivision or parcel map, without the prior written consent of the City Council in its sole discretion.

(i) Utility Installations.

(i) Fire Hydrants. City will maintain and repair all, fire hydrants, and associated facilities within the Leased Premises, provided that Lessee grants to City a suitable easement, or easements across and upon the Leased Premises for such maintenance and repair.

(ii) Gas, Electric, Telephone Services. The City does not warrant or affirm that gas, electric, telephone or other public utility services, except water and sewer, are or will be available to Lessee. Lessee, at its own risk and without cost or expense to the City, shall be responsible for installation and maintenance on and to the Leased Premises of all such public utility services.

(j) Value and Utility. Subject to applicable building codes and ordinances, all changes and alterations shall be of such a character that when completed, the value and utility of the Improvement changed or altered by such changes or alterations shall not be less than the value and utility thereof immediately before any such change or alteration.

(k) Workmanlike Manner. All work done in connection with any changes or alterations following the commencement thereof shall be performed in a good and workmanlike manner and with due diligence.

D. Liens. Lessee shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Leased Premises, which claims are or may be secured by any mechanic's, laborer's, materialmen's or other similar liens against the Leased Premises or any interest therein. If Lessee shall, in good faith, contest the validity of any lien, claim or demand, then Lessee shall, at its sole expense defend itself and City against the same and shall pay and satisfy any adverse judgment that may be rendered thereon prior to the enforcement thereof against City or the Leased Premises; provided that if City shall require, Lessee shall furnish to City a surety bond in the amount required by applicable statute to remove the lien from record. Lessee agrees to indemnify and defend and hold City harmless from and against any lien or claim of lien filed against the Leased Premises. Nothing herein contained shall in any respect make Lessee the agent of the City, or authorize Lessee to do any act or to make any contract encumbering or in any manner affecting the title or rights of the City in or to the Leased Premises or the improvements thereon. City or its representatives shall have the right to go upon and inspect the Leased Premises at all reasonable times upon two (2) business days' written notice to Lessee (excepted in case of emergency) and shall have the right without prior notice to Lessee to post and maintain thereon notices of nonresponsibility pursuant to Section 3094 of the California Civil Code or such other notice which City may deem to be proper for the protection of the interests of City. Before any Improvements, or repairs or additions thereto which might result in a lien on the Leased Premises, are constructed or reconstructed upon the Leased Premises, Lessee shall serve written notice upon the City, in the manner provided for in Paragraph 25 herein, in sufficient time, and in any event, at least twenty (20) days prior to commencing any such work, of Lessee's intention to perform such work for the purpose of enable the City to post and record notices of nonresponsibility under the provisions of Section 3094 of the California Civil Code, or any other similar notices which may be permitted by law. Any contest by Lessee of any such liens shall be made by Lessee in good faith and with due diligence and Lessee shall fully pay and immediately discharge the amount at any final judgment rendered against the City or Lessee in any litigation involving the enforcement of such liens or the validity thereof.

11. MAINTENANCE AND REPAIRS

A. Lessee's Duty to Maintain. Lessee, at its sole cost and expense, shall maintain or cause to be maintained the Leased Premises including all structures, improvements, fixtures, equipment, and personal property located on the Leased Premises in good order, condition, quality, and repair, and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies having jurisdiction. In the event Lessee fails to maintain the Leased Premises, City shall have the right but not the obligation to enter upon the Leased Premises to correct or cure the problem and any cost to City, plus a fifteen (15%) administrative charge, shall be billed to Lessee and shall be paid by Lessee within thirty (30) days after receipt of such invoice.

B. Periodic Painting/Cleaning. City shall have the right, in its reasonable discretion, to require Lessee, not more frequently than once every eight (8) years, at Lessee's cost and expense, to promptly paint or clean or otherwise preserve and beautify the surfaces of the exterior of all improvements on the Leased Premises. The treatment applied shall restore the appearance of and act to preserve the improvements. In the event a dispute arises between the parties as to their rights or obligations under this Subparagraph 11B, City and Lessee agree to refer the dispute to judicial reference in accordance with the provisions of Paragraph 23 herein.

12. SURRENDER

A. Structures. At the expiration of the term of this Lease or upon the earlier termination hereof, this Lease shall terminate without further notice and Lessee shall surrender said Leased Premises to the City and all improvements thereon, including but not by way of limitation, the Required Improvements and any alterations or additions thereto, shall remain for the benefit of the City. Any holding over by Lessee after expiration shall not constitute a renewal or extension or give Lessee any rights in or to the Leased Premises. In the event of a holdover by Lessee, Lessee shall pay to City the same rentals and charges provided for in this Lease; provided that the Minimum Basic Rent payable during such hold over period shall be equal to the Minimum Basic Rent payable immediately prior to the expiration of the term hereof increased by twenty-five percent (25%).

B. Removal. No improvements shall be removed from the Leased Premises or voluntarily destroyed or damaged during the term of this Lease without the prior written consent of the City Manager, or his/her designee, which may be granted or withheld in the City Manager's sole and absolute discretion.

C. Movable Structures. Machines, trade fixtures and similar installations which are installed in any improvement on the Leased Premises shall not be deemed to be part of the realty, and interior, nonstructural partitions, although part of the realty, may be relocated from time to time as necessary to accommodate Lessee's leasing program, even though such installations and partitions are attached to the floors, walls or roofs of any building or structure or to outside pavements, so long as such installations and partitions can be removed or relocated without structural damage to any improvement on the Leased Premises; provided, however, that if the removal or relocation of any such installation or partition causes nonstructural damage to any part of the improvement, then Lessee shall repair such damage and restore said improvement to the same condition as originally existed upon the completion of construction, ordinary and usual wear and tear excepted; and provided further, that no holes (other than nail) or unpainted or otherwise unfinished walls shall be left by Lessee in any improvement at the expiration or sooner termination of the term of this Lease.

D. Personal Property. Any and all personal property of every kind and nature whatsoever, not attached to or installed in any improvement which Lessee or its sublessees place in upon or about the Leased Premises during the term hereof may be removed therefrom prior to the expiration of the term of this Lease and shall, as between the City and Lessee, be and remain the personal property of Lessee or its sublessees, as the case may be, provided that any such personal property left on the Leased Premises upon surrender to the City shall be presumed to be abandoned by Lessee and City may dispose of said property in any manner at Lessee's cost and Lessee hereby waives any claim or right to said property or any proceeds derived from the sale thereof.

E. Lighting, Etc. Notwithstanding anything to the contrary contained in this Lease, any and all lighting, elevator, escalator, plumbing, air cooling, air conditioning, heating (including water heating) and ventilating equipment shall be deemed to be a part of the realty, and regardless of whether or not any such item or equipment can be removed without structural damage to the improvement in which it is installed, it shall not be removed from such improvement except for repairs, alterations and replacement with newer functionally equivalent equipment, without the consent of the City Manager, (or a designee chosen by the City Manager in his or her sole discretion), and all such equipment shall remain as a part of the realty at the expiration or sooner termination of the term of this Lease. Notwithstanding anything to the

contrary contained within this Subparagraph 12E, Lessee may remove, or allow to be removed, subtenant lighting and subtenant signs to the extent that such removal may be accomplished by the simple unfastening of screws and bolts and provided that such removal does not in any way cause damage to the Leased Premises.

13. INDEMNITY.

Lessee has accepted the condition of the Leased Premises and hereby releases the City from and agrees to indemnify and hold the City (with "City" being defined for purposes of this Paragraph 13 as including City, City's Mayor, City's City Council and its members, City's boards and commissions and their respective members, and City's officers, employees and agents) free and harmless from and, at City's request, defend City against, any and all liabilities and claims for damages, losses, costs and expenses (including reasonable attorneys' fees) relating to or arising from any injury or death to any persons, including, but not limited to, Lessee and its employees and agents, or damage to property of any kind whatsoever and to whomsoever belonging, including, but not limited to, property of Lessee, from any and all cause or causes whatsoever (except City's sole negligence or willful conduct), which occurs on or about, or is in any way connected with, the Leased Premises or any buildings or other improvements constructed thereon during the term of this Lease, or results or arises from the activities conducted by Lessee or its sublessees on the Leased Premises.

Without limiting the generality of the foregoing, Lessee hereby agrees that City shall not be liable for any injury to Lessee's business or any loss of income therefrom or for the damage to the goods, wares, merchandise, improvements, or other property of Lessee, Lessee's offices, agents, employees, invitees, customers, or any other person in or about the leased Premises, nor shall City be liable for injury or death to the person of Lessee, any sublessee, or any of their respective officers, employees, agents or contractors, whether such damages or injury is caused by any cause whatsoever (except City's sole negligence or willful conduct), and whether the same damage or injury results from conditions arising upon the Leased Premises or from City's activities upon other portions of the Airport.

City shall not be liable to Lessee for any damages arising from any act or omission of any other lessee, sublessee, or other occupant of any portion of the Airport, or their respective officers, employees, contractors, customers or invitees.

It is the intention of City and Lessee that City be released from and indemnified, held harmless and (at City's option) defended against any and all injuries (including death) to persons and damage to property described in this Paragraph 13 to the fullest extent permitted by law. If at any time during the term of this Lease, the right of City to be so released, indemnified, held harmless or (at its option) defended shall be enlarged or reduced by reason of the application of any law or legal standard, City's rights under this Paragraph 13 shall be ipso facto enlarged or reduced to conform to such requirements such that City shall at all times during the term hereof be released from and indemnified, held harmless from and (at its option) defended against those matters to the fullest extent permitted under then applicable law.

Nothing in this Paragraph 13 will excuse City of its responsibility for City's sole negligence or willful misconduct.

14. INSURANCE

A. Liability. Lessee shall procure and maintain a policy or policies of comprehensive public liability and property damage insurance in a good and solvent insurance company or companies for the benefit of Lessee, City and other parties with an insurable interest that may be designated by City or Lessee and under and by the terms of which City and such other designated parties are protected from and insured against any and all loss, damage or liability of whatsoever nature arising out of or in connection with the use of or operations on or from the Leased Premises during the term hereof. The limits of liability on any policy of public liability insurance shall not be less than Five Million Dollars (\$5,000,000.00) combined single limit, per occurrence. Such policy shall be written as a primary policy and not contributory with or in excess of any policy which City and the other insureds may carry and shall cover and insure Landlord and the other parties designated by City as additional insureds. Any such policy shall provide that any loss shall be payable to City and any other named insureds designated by City or Lessee, notwithstanding any act or negligence of Lessee which may otherwise result in a forfeiture of said insurance. Said insurance shall be written on an occurrence basis. In the event that Lessee maintains any public liability and/or property damage insurance with respect to the Leased Premises in excess of the above-required insurance, Lessee shall cause City to be named as an additional insured on such other insurance.

B. Improvements. Lessee shall procure and maintain throughout the Lease term insurance upon the Required Improvements, including the value of all additions, alterations, replacements and repairs thereto, by whomever made, as well as the machinery, equipment and their systems forming a part thereof, against loss or damage by any hazard insured under a so-called All Risk policy, in an amount equal to not less than one hundred percent (100%) of the full replacement cost thereof (excluding cost of excavations, foundations, footings, underground pipes, conduits, flues and drains) without diminution of such cost for depreciation or obsolescence. During the course of construction of the Required Improvements, said insurance shall be in the form of a Builder's Risk Completed Value Insurance Policy. The policies evidencing such insurance shall name Lessee, City, and any other person with an insurable interest designated by City or Lessee as additional insureds. Said policy shall include a one (1) year rental loss endorsement in favor of City. Said policy may be endorsed with a mortgagee's loss payable endorsement for the benefit of any encumbrancer on Lessee's leasehold estate, provided that such encumbrancer agrees to make the proceeds of such insurance available for the reconstruction and repair of damage to the Required Improvements, without offset or deduction. Lessee shall promptly deliver to City a true and correct copy of the recorded counterpart of any such encumbrancer's mortgage or deed of trust and renewals or extensions thereof evidencing that the proceeds of any such policy of insurance are to be made available for reconstruction and repairs as required by this Paragraph. The foregoing policy shall contain an agreed-amount clause waiving coinsurance and Lessee shall annually update the amount of insurance coverage and arrange to continue the agreed-amount clause. The foregoing policy shall also contain, to the extent applicable, endorsements providing coverage for demolition costs, increased cost of construction, and contingent liability from operation of building laws. At City's option, Lessee's insurance shall include earthquake insurance, provided such coverage is obtainable at commercially reasonable rates.

C. Fire Insurance. Lessee shall procure and maintain a policy or policies of standard fire and extended coverage insurance covering Lessee's trade fixtures, furnishings and equipment in an amount equal to not less than ninety percent (90%) of the full insurable value thereof and to procure an appropriate clause in, or an endorsement on, any such policy of fire and extended coverage insurance, pursuant to which the insurance company or companies waive subrogation

or consent to a waiver of right of recovery against City if available at commercially reasonable rates.

D. Workers' Compensation. During the course of any construction, repair and/or alteration to the Leased Premises, Lessee shall maintain or cause to be maintained workmen's compensation insurance as may be required by law, covering all persons employed in connection with such work.

E. Carrier Rating. All policies enumerated in this Paragraph 14 shall be issued by an insurer admitted to do business in California which qualifies as a member of the California Insurance Guaranty bond, and which is rated in Best's Insurance Guide with a financial rating of Class VIA+ or better, or as may be accepted in writing by the City Manager.

F. Evidence of Insurance. Lessee shall deliver to City policies evidencing the insurance procured by Lessee under the terms hereof, or to deliver in lieu thereof certificates of coverage from the insurance company or companies writing said policy or policies of insurance, which certificates shall, among other things, designate the company writing the same, the number, amount and provisions thereof.

G. Cancellation. All insurance policies shall contain a provision that said policies shall not be cancelled or terminated without thirty (30) days' prior written notice from the insurance company to City and the other named insureds and the certificate or policy required by subparagraph E above shall so provide. Lessee agrees that on or before ten (10) days prior to expiration of any insurance policy, Lessee will deliver to City and any other named insureds designated by City written notification in the form of a receipt or other similar document from the applicable insurance company that said policy or policies have been renewed or deliver certificates of coverage from another good and solvent insurance company for such coverage.

H. Lessee's Failure to Provide. If Lessee shall fail to timely procure any policy required to be maintained by Lessee hereunder, or renewal thereof, or to evidence the procurement or renewal thereof by delivery of the certificates or renewal notifications required by this Paragraph 14, City may (but it is not required to), after having given not less than five (5) days' prior written notice to Lessee, procure such insurance and charge the cost thereof to Lessee as additional rental payable in full on the next rent payment date. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies to be maintained by Lessee hereunder.

I. Periodic Increases. City shall have the right from time to time to increase the amounts of insurance required to be maintained by Lessee.

15. CASUALTY DAMAGES

In the event the whole or any part of the Required Improvements shall be damaged or destroyed by fire or other casualty, damage or action of the elements, at any time during the term of this Lease, Lessee shall with all due diligence, at Lessee's sole cost and expense, repair, restore and rebuild the Required Improvements on the same plan and design as existed immediately prior to such damage or destruction (subject to such changes as may be required by any local governmental authorities as a condition to obtaining building permits to rebuild), and to the same condition that existed immediately prior to such damage, provided, however, that if the Required Improvements are destroyed or damaged during the last three (3) years of the term of this Lease, and provided further that the extent of such damage or destruction is one-third (1/3)

or more of the replacement value of the Required Improvements immediately prior to the occurrence of such damage or destruction, then Lessee may cancel this Lease by giving written notice of its election to do so to Landlord within one hundred twenty (120) days after such damage or destruction, in which event Lessee need not restore or rebuild the Required Improvements, but shall (i) if required by City, demolish and remove the damaged Required Improvements and level and clear the site and leave such areas broom clean, and (ii) subject to the rights of any institutional lender holding a deed of trust upon Lessee's interest in the Leased Premises, release to City any interest of Lessee and/or its encumbrancers in and to the insurance proceeds from the insurance to be provided by Lessee pursuant to Paragraph 14B above, less reasonable costs, if any, incurred by Lessee to remove the damaged Required Improvements and level and clear such areas. In the event of any restoration or reconstruction pursuant to this Paragraph, the insurance proceeds available in consequence of such damage, if any, shall be made reasonably available to Lessee by City for said purpose. Prior to any such restoration and reconstruction as herein provided, the drawings and specifications therefor shall be submitted to City and any other necessary parties for their approval. City agrees that its approval of such drawings and specifications shall not unreasonably be withheld. All such work performed by Lessee shall be constructed in a good and workmanlike manner according to and in conformance with the laws, rules and regulations of all governmental bodies and agencies and the requirements of Paragraph 10 and applicable to the original construction of the Required Improvements. The rental and other charges payable hereunder shall not abate or be reduced by reason of any such casualty damage.

16. ASSIGNMENT AND SUBLETTING

A. General.

1. Prohibition. Lessee shall not assign, sell, encumber (except as permitted by this Lease), pledge or otherwise transfer all or any part of Lessee's leasehold estate hereunder or permit the Leased Premises or any portion thereof to be occupied by anyone other than Lessee or Lessee's employees or sublet the Leased Premises or any portion thereof, without City's prior written consent in each instance, which may be withheld in City's sole and absolute discretion.

2. Permitted Subleases. Lessee shall have the right to enter into subleases in the ordinary course of business, for space in the buildings located on the Leased Premises for the uses permitted herein provided the form of sublease has been previously approved in writing by the City Manager, or a designee chosen by the City Manager which form of sublease will not be unreasonably disapproved; provided, however, that no such sublease may have a term, including renewals and extensions, which actually or potentially extends beyond the term of this Lease, and provided, further, that the prior written consent of the City Manager, (or a designee chosen by the City Manager in his or her sole discretion), must be first obtained as hereinafter required for any Sublease for which:

(a) The form of sublease materially varies from the form previously approved by City (which approved form shall provide, among other things, that the occupancy and use of such subleased area is subject to the terms and conditions of this Lease); or

(b) The proposed sublessee has requested that the City execute a nondisturbance agreement inuring to the benefit of such proposed sublessee.

3. Affiliate Transfers. Any of the transfers listed in subparagraphs (a), (b) or (c), below, shall be deemed an assignment prohibited hereby unless the written consent of the

City Council or its designee be first obtained thereto which consent shall be deemed given unless the City Council rejects the requested assignment within sixty (60) days following its request to do so:

(a) If Lessee or any entity owning any interest, direct or indirect, in Lessee is a partnership or joint venture, a withdrawal, addition or change (voluntary, involuntary, by operation of law, or otherwise) of more than fifty percent (50%) of the interests of general partners or joint venturers of such partnership or joint venture; or

(b) If Lessee is composed of more than one person, a purported assignment or transfer (voluntary or involuntary, by operation of law, or otherwise) of more than fifty percent (50%) to any person or entity not currently comprising Lessee; or

(c) If Lessee or any entity owning any interest, direct or indirect, in Lessee is a corporation or other entity (other than a corporation whose shares are publicly traded on a recognized stock exchange), a change of more than fifty percent (50%) in the ownership (voluntary, involuntary, or by operation of law, or otherwise) of any of its stock or other ownership or voting interests to any person or entity not currently comprising Lessee.

4. Notice. Lessee shall give the City prompt written notice of any such change in the direct or indirect ownership in Lessee, including but not limited to any change in or to the Partners of Lessee whether or not the consent of the City is required therefor.

5. Timing. Any assignment, sublease or other transfer consented to by the City Council or its designee shall be consummated within 180 days of the City Council's consent thereto, and if not so consummated within such period, the City Council's consent thereto shall be void and be of no force or effect and the City's consent according to this Paragraph 16 shall again be required prior to any assignment, sublease or other transfer except as provided in Paragraph (2) above.

B. Vesting. As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any assignee or sublessee of the Lessee's interest hereunder (except a sublessee under the Provisions of subparagraph A2 of Paragraph 16), whether voluntary or involuntary, each such proposed assignee or sublessee shall first have delivered to the City Clerk of the City a written notice of such proposed assignment or sublease, which notice:

(a) shall contain a statement that the proposed assignee or sublessee agrees to be bound by all the terms, covenants and conditions of this Lease which are to be performed by Lessee;

(b) shall state the name and address of the proposed assignee or sublessee for the purpose of enabling notices to be given under Paragraph 25 herein; and

(c) shall state whether the proposed assignee or sublessee is an individual, a corporation, partnership, joint venture or other entity; and if such assignee or sublessee is a corporation or other entity, the names of such corporation's or entity's principal officers and directors, its state of organization, the amount of capital stock or other evidences of ownership authorized and outstanding at the time of the assignment, the number of shareholders or other interest owners and the name and address of every shareholder or owner who directly or indirectly owns or controls five percent (5%) or more of such stock or other evidences of ownership (stating the number of such shares or other evidences of ownership); and if such

assignee or sublessee is a partnership or joint venture, the names and addresses of all members of such partnership or joint venture.

C. Voidability. Any sale, assignment, sublease or transfer which has been made in violation of or which is not in substantial compliance with the provisions of this Paragraph 16 shall be voidable by the City and shall constitute a material default under this Lease.

D. Nondisturbance and Attornment. Except to the extent a separate nondisturbance and attornment agreement between a lender of Lessee and any sublessee of the Leased Premises shall control, all subleases of the Leased Premises shall be subject and subordinate to this Lease, and upon the expiration or sooner termination of this Lease, all subleases of the Leased Premises which are not in default shall either terminate or be assigned to the City and all such sublessees under subleases assigned to the City shall attorn to the City.

E. Encumbrances by City. The City shall not encumber its fee interest in the Leased Premises unless such encumbrance shall be expressly subordinated to this Lease, to any Leasehold Mortgage, to any new lease entered into pursuant to subparagraph 17C(4) below and to all subleases arising therefrom.

17. LEASEHOLD MORTGAGES

A. Right to Hypothecate. Lessee may, from time to time, without obtaining the consent of City, hypothecate, mortgage, pledge or alienate Lessee's leasehold estate and rights hereunder as security for payment of any indebtedness of Lessee to any bank, savings and loan association, insurance company or other institutional lender, so long as the loan-to-value ratio does not exceed 80% of the value of that portion of the completed project. City will cooperate as may be reasonably required by lending institutions as a prerequisite to Lessee's obtaining construction and permanent financing. The holder of any such lien so long as the same shall be a first and senior lien upon the leasehold estate of Lessee, is herein referred to as "mortgagee". The mortgagee or its assigns may enforce such lien and acquire title to the leasehold estate in any lawful way and, pending foreclosure of such lien, the mortgagee may take possession of and operate the Leased Premises performing all obligations performable by mortgagee; and, upon foreclosure of such lien, by power of sale, judicial foreclosure or upon acquisition of the leasehold estate by deed in lieu of foreclosure, the mortgagee may, without further consent of City, sell and assign the leasehold estate hereby created. Any person or entity acquiring such leasehold estate so sold and assigned by the mortgagee shall be liable to perform the obligations imposed on Lessee by this Lease only during the period such person has ownership of said leasehold estate or possession of the Leased Premises.

B. Notice to Mortgagee of Default. When giving such notice to Lessee with respect to any default hereunder, City shall also serve a copy of each such notice upon such mortgagee of which City has received written notice specifying a business address to which such notice may be mailed or delivered. All such notices to the mortgagee shall be given by registered or certified mail, return receipt requested or by overnight courier, addressed to the mortgagee at the address last known to City. In the event Lessee shall default in the performance of any of the terms, covenants, agreements and conditions of this Lease on Lessee's part to be performed, the mortgagee shall have the right, within the period available to Lessee for curing such default, to cure or make good such default or to cause the same to be cured or made good whether the same consists of the failure to pay rent or the failure to perform any other matter or thing, and City shall accept such performances on the part of any mortgagee as though the same had been done or performed by Lessee. Mortgagee shall have no responsibility for Lessee's monetary

obligations which accrued more than ninety (90) days prior to mortgagee's receipt of notice of such monetary default. In case of a default by Lessee in the payment of money, City will take no action to effect a termination of this Lease by reason thereof unless such default has continued beyond 15 days after City shall have served a copy of such notice upon the mortgagee, it being the intent hereof and the understanding of the parties that the mortgagee shall be allowed up to, but not in excess of 15 days after the service of such notice to cure any default of Lessee in the payment of rent or in the making of any other monetary payment required under the terms of this Lease.

In case of any non-monetary default by Lessee, City will take no action to effect a termination of this Lease by reason thereof unless such default has continued beyond the period available to Lessee for curing said default, and then only after City shall have given to mortgagee all time reasonably necessary after the expiration of Lessee's period for curing such default with due diligence within which either (i) to cure such default in the case of a default which does not require possession by the mortgagee or a receiver to cure; (ii) to obtain possession of the Leased Premises (including possession by a receiver) and to cure such default in the case of a default which requires possession by the mortgagee or a receiver to cure and such default is reasonably susceptible of being cured when the mortgagee or receiver has obtained possession thereof; or (iii) to institute foreclosure proceedings and to complete such foreclosure proceedings or otherwise acquire Lessee's interest under this Lease in the case of a default which requires possession by the mortgagee and is not reasonably susceptible of being cured by the mortgagee (it being understood that mortgagee shall have no responsibility to cure any default which is not reasonably susceptible of being cured by it). No mortgagee shall be required to continue such possession or continue such foreclosure proceedings if the default which prompted the service of a notice of default has been cured. In the case of a default described in clause (i) of this paragraph, it shall be a condition to City's forbearance to terminate this Lease that the mortgagee commence the cure of such default with due diligence within forty-five (45) days of the expiration of Lessee's period for curing such default and that the mortgagee thereafter diligently prosecute such cure to completion. In the case of a default described in clause (ii) or (iii) of this paragraph, it shall be a condition to City's forbearance to terminate this Lease that the said default not cured by Lessee within the cure period provided for in this Lease constitutes a default by Lessee under the mortgagee's mortgage or deed of trust that will permit the mortgagee to obtain the appointment of a receiver, as in the case of a default described in clause (ii) above, and to foreclose its mortgage or deed of trust by judicial or private power of sale foreclosure proceedings as in the case of a default described in clause (iii) above. As long as there is a mortgagee, all bankruptcy and insolvency defaults as referenced in Paragraph 18 below shall be applicable only with respect to the party which is then the owner of Lessee's interest under this Lease, and neither the bankruptcy nor the insolvency of Lessee shall operate or permit City to terminate this Lease as long as all rent specified in this Lease and all other charges of whatsoever nature payable by Lessee continue to be paid in accordance with the terms of this Lease, the mortgagee performs all of the remaining covenants of this Lease to be performed by the Lessee susceptible of being performed by such mortgagee in accordance with the terms of this Lease and the mortgagee has reserved the right to institute and thereafter institutes and diligently prosecutes to completion judicial or power of sale foreclosure proceedings under its deed of trust or mortgage based upon such bankruptcy or insolvency default. The time available to the mortgagee to initiate foreclosure proceedings as aforesaid shall be deemed extended by the number of days of delay occasioned by judicial restriction against such initiation or occasioned by other circumstances beyond the mortgagee's reasonable control.

Following the acquisition of Lessee's leasehold estate by mortgagee, or its designee, or by any purchaser either as a result of foreclosure or acceptance of an assignment in lieu of

foreclosure, such "Acquiring Party" shall, as promptly as possible, cause all default(s) hereunder to be cured and all unperformed covenants of Lessee to be performed, except such default(s) and covenants which cannot in the exercise of reasonable diligence be cured or performed by the Acquiring Party whereupon City's right to effect a termination of this Lease based upon the default(s) and covenants in question shall be deemed waived. Any default not reasonably susceptible of being cured by the Acquiring Party shall be, and shall be deemed to have been, waived by City upon completion of the foreclosure proceedings or acquisition of Lessee's interest in this Lease only as to the Acquiring Party (who may, but need not be, the mortgagee) at the foreclosure sale, or who otherwise acquires such Lessee's interest by virtue of the mortgagee's exercise of its remedies. In such event, City shall recognize the Acquiring Party as the Lessee under this Lease and this Lease shall continue as a direct lease between the Acquiring Party as the Lessee and the City as the lessor for the unexpired portion of the Lease Term and any renewals or extensions thereof, but nothing contained in this Section shall be construed as releasing any prior tenant under this Lease from liability for the performance of the Lessee's obligations under this Lease. The Acquiring Party shall be liable to perform the obligations imposed on Lessee by this Lease that are incurred or accrued only during the period the Acquiring Party has ownership of said subleasehold estate or possession of the Premises, and only if such obligations are reasonably susceptible of being performed by the Acquiring Party.

C. No Subordination. Nothing contained in this Lease shall be construed as an agreement by City to encumber City's fee interest in and to the Leased Premises for the benefit of Lessee or as granting to Lessee the right to encumber such interests of City.

D. Consent to Surrender. Without the prior consent of the mortgagee, neither this Lease nor the leasehold estate created by this Lease shall be surrendered, cancelled, modified or amended (except with respect to termination pursuant to any casualty, damage or of any eminent domain proceedings concerning the whole of the Leased Premises or any termination of this Lease which Lessee is authorized to elect to make as a result of any eminent domain proceedings concerning less than the whole of the Leased Premises, as provided in Paragraphs 15 and 21 or any termination pursuant to Paragraph 3C above or pursuant to Paragraph 18 below following expiration of the right to cure periods provided for in Paragraph 18 and in this Paragraph 17) and no agreement purporting to surrender, cancel, terminate, modify or amend this Lease without such consent shall be valid or effective.

E. No Merger. No merger of Lessee's leasehold estate into City's fee title shall result or be deemed to result by reason of ownership of City's and Lessee's estates by the same party or by reason of any other circumstances, without the prior consent of the mortgagee.

F. Estoppel Certificates. The City and Lessee shall at any reasonable time and from time to time upon not less than thirty (30) days prior written request by the other, deliver to the requesting party an executed and acknowledged written statement certifying that (a) this Lease is unmodified and in full force and effect (or if this Lease has been modified or if this Lease is not in full force or effect, stating the nature of the modification or the basis on which this Lease had been terminated whichever is applicable); (b) to its knowledge, the requesting party is not in default under this Lease (or if any such default exists, stating the specific nature and extent of the default); (c) the dates to which the monthly rent and other monetary obligations under this Lease have been paid in advance; and (d) such other information as the requesting party may reasonably request. Each certificate delivered pursuant to this paragraph may be relied upon by any prospective purchaser or transferee of the City's or Lessee's respective interests in the Leased Premises.

18. DEFAULT AND REMEDIES

A. Defaults. The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Lessee: (i) the failure by Lessee to make any payment of any Minimum Basic Rent, Percentage Rent, or Additional Rent or any other sums payable by Lessee under this Lease, within (5) days of the date required to be made by Lessee hereunder; (ii) the vacating or abandonment of the Leased Premises by Lessee; and (iii) the failure by Lessee to observe or perform any other obligation hereunder which shall not be remedied to the satisfaction of City within thirty (30) days after written notice from City specifying such failure to perform (or, if such failure cannot reasonably be remedied by Lessee within thirty (30) days, if Lessee shall not have commenced appropriate action to effect such remedy within said thirty (30) day period and thereafter prosecuted such action to completion with all due diligence) however, Lessee shall not be in default (and its time for performance shall be extended accordingly) for any reasonable delay the cause of which is the City's unreasonable failure to timely perform any of its obligations under this Lease; (iv) the making by Lessee of any general arrangement or assignment for the benefit of creditors; (v) Lessee becomes a "debtor" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (vi) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Leased Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days, or (vii) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Leased Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days. In the event of any such default or breach of Lessee, then City may at any time thereafter, without limiting City in the exercise of any right or remedy which City may have by reason of such default or breach: (i) immediately terminate this Lease and Lessee's right to possession of the Leased Premises; (ii) continue this Lease in effect without terminating Lessee's right to possession even though Lessee has breached this Lease and abandoned the Leased Premises and enforce all of City's rights and remedies under this Lease; provided, however, that City may at any time thereafter elect to terminate this Lease for such previous breach by notifying Lessee in writing that Lessee's right to possession of the Leased Premises has been terminated; and (iii) pursue any other remedy now or hereafter available to City under applicable law.

B. Receipt of Rent Not Waiver of Default. The receipt by the City of Minimum Basic Rent, Percentage Rent, Additional Rent or any other charges due to the City, with knowledge of any breach of this Lease by Lessee or of any default on the part of Lessee in the observance or performance of any of the conditions or covenants of this Lease, shall not be deemed to be a waiver of any provisions of this Lease. No acceptance by the City of a lesser sum than the Minimum Basic Rent, Percentage Rent, Additional Rent, or any other charges then due shall be deemed to be other than on account of the earliest installment of the Minimum Basic Rent, Percentage Rent, Additional Rent or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as the Minimum Basic Rent, Percentage Rent, Additional Rent or charges due be deemed an accord and satisfaction, and the City may accept such check or payment without prejudice to the City's right to recover the balance of such installment or pursue any other remedy provided in this Lease.

C. Failure to Enforce Covenant Not Invalidation. No failure on the part of the City to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by the City shall discharge or invalidate such covenant or provision or affect the right of the City to enforce the same in the event of any subsequent breach or default, unless expressly agreed to by the City Manager in writing.

D. Receipt of Post-Termination Rent Not Reinstatement. The receipt by the City of any of the Minimum Basic Rent, Percentage Rent, Additional Rent or any other sum of money or any other consideration paid by Lessee after the termination in any manner of the term, or after notice by City of such termination, shall not reinstate, continue, or extend the term hereof, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by the City to Lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by the City Manager.

19. RIGHT OF ACCESS

City and City's officers, employees and agents shall have the right to enter upon the Leased Premises thereon during normal business hours upon two (2) business days' written notice to Lessee (excepted in case of emergency) for the purpose of inspecting the same and without prior notice to Lessee to post notices of non-responsibility or any other notices the City may reasonably deem necessary or desirable.

20. QUIET ENJOYMENT

Subject to all rights reserved by City under this Lease and to the title exceptions existing as of the Effective Date, the City covenants that Lessee, upon paying the rent expressly reserved in this Lease and observing and keeping the terms, covenants, and conditions of this Lease on its part to be kept and performed, shall lawfully and quietly hold, occupy and enjoy the Leased Premises during the term of this Lease, without hindrance from City or those lawfully claiming an interest in or to the Leased Premises through or under City.

21. CONDEMNATION

A. Condemnation. In the event proceedings be taken pursuant to an exercise of the power of eminent domain by any lawful authority to condemn or otherwise acquire any portion of any Parcel, and as a result of such taking, such portion of the Leased Premises will no longer be suitable for the operation of the type of uses specified in Paragraph 9, Lessee shall have the option, by written notice to City at any time prior to the date that such portion of the Leased Premises is taken by the condemning authority, to terminate this Lease as to that Parcel or those Parcels containing such condemned portion, effective as of the date of possession by the condemning authority. In the event of such termination, rent shall be prorated to the date of termination and any unearned rent shall be refunded to Lessee. Lessee shall not grant a right of entry to any condemnor without the written consent of City.

B. Should Lessee not elect to so terminate this Lease, or should any such taking not be sufficient to allow such option to terminate, this Lease shall terminate as to the portion of the Leased Premises taken upon the date which possession of said portion is taken, but this Lease shall continue in force and effect as to the remainder of the Leased Premises and Lessee, at its own cost and expense, shall promptly restore the remaining portions of the Improvements, to a condition existing just prior to such taking. Lessee shall, in the event of a taking of any portion of the Required Improvements, be entitled to a reduction in the Minimum Basic Rent payable pursuant to Paragraph 5 of this Lease thereafter required to be paid, based on the ratio between (i) the reduction in the fair market rental value of the Leased Premises as improved following such a taking and restoration and repair by Lessee (valued at the actual use of the Leased Premises) and (ii) the fair market rental value of the Leased Premises as improved immediately prior to such taking (valued at the actual use of the Leased Premises).

C. Award. In the event that an award is made for an entire or partial taking or for damage to the Leased Premises or any interest therein in any action in direct or inverse condemnation or in the event of a taking under the power of eminent domain, the parties hereto agree that their respective rights to the award or compensation paid shall be as follows:

(a) City shall be entitled to that portion of the award received for the taking of the real property within the Leased Premises, exclusive of all Required Improvements and other Improvements placed on the Leased Premises by or under Lessee.

(b) Lessee shall be entitled to that portion of the award received for the taking of Required Improvements and other Improvements placed on the Leased Premises by or under Lessee and to any award that may be made for the taking of or injury to Lessee's business and profits or on account of any cost or loss Lessee or its subtenants may sustain in the removal of its or their merchandise, fixtures, equipment and furnishings from the Leased Premises; provided, however, that with respect to any taking or award occurring after the one hundred twentieth (120th) full calendar month of the term of this Lease, any such award received for the taking of or damages to Required Improvements or other Improvements placed on the Premises by or under Lessee shall be prorated between City and Lessee based on the ratio between the number of years and partial years remaining in the Lease term to thirty-three (33) years. For example, in the event the date of taking occurs with three (3) years left in the Lease term, Lessee would be entitled to one-eleventh (1/11th) of the award for the taking of or damages to the Required Improvements or other Improvements.

(c) Any severance damages and interest payable on the total award shall be divided between City and Lessee in the same ratio as are the awards granted to them pursuant to the other provisions of this subsection.

(d) Lessee shall not be entitled to any portion of the award on the basis that Lessee's interest in this Lease has a bonus value (i.e. that the fair rental value of the Leased Premises for all or any portion of the remainder of the term hereof exceeds the rental reserved under this Lease for such period).

22. FAIR MARKET VALUE

A. Fair Market Value Defined. "Fair Market Value" shall mean:

When applied to the land of the Leased Premises or any portion thereof, the fair market value of such land, exclusive of the Improvements thereon, based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended;

When applied to the Improvements located at the Leased Premises, or any portion thereof, the fair market value of such Improvements, exclusive of the land of the Leased Premises, based upon the uses of such Improvements permitted under this Lease, as the same may from time to time be amended;

When applied to the entire Leased Premises, or any portion thereof, and all Improvements located thereon, the fair market value of such land and Improvements in the aggregate based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended;

When applied to the Lessee's leasehold interest under this Lease together with Lessee's interest in all Improvements located on the Leased Premises, the fair market value of

such leasehold estate and improvements in the aggregate based upon the uses of the Leased Premises and such Improvements permitted under this Lease, as the same may from time to time be amended; and

When applied to the City's interest under this Lease together with the City's interest in the land of the Leased Premises and all Improvements located on the Leased Premises, the fair market value of such interests in the aggregate based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended.

B. Failure to Agree. If the parties cannot agree on the Fair Market value of the Leased Premises within thirty (30) days of the date that such Fair Market Value determination becomes necessary under any of the provisions of this Lease, then such Fair Market Value shall be determined by appraisal in accordance with subparagraph C of this Paragraph 22.

C. Appraisal.

If appraisal is required to fix the Fair Market Value, such appraisal shall be conducted in the following manner: within five (5) days following the expiration of the thirty (30)-day period during which the parties have been unable to reach agreement on the Fair Market Value, the City shall appoint an appraiser and give written notice thereof to Lessee and within five (5) days after the service of such notice, Lessee shall in like manner appoint an appraiser and give written notice thereof to the City, or in case of the failure of either party hereto so to do, the appraiser appointed by the other party shall alone conduct the appraisal, whose determination of Fair Market Value shall be binding and final, and the remaining provisions of this Paragraph 22C shall be disregarded. If two appraisers are thus appointed then they shall select and appoint in writing a third appraiser and give written notice thereof to the City and Lessee, or if within five (5) days after the appointment of said second appraiser, the two appraisers shall fail to appoint a third, then either party hereto shall, at its own expense, have the right to make application to the Superior Court of Los Angeles County, California to appoint such third appraiser. All appraisals must be completed within thirty (30) days following the selection of the last appraiser to be designated. All such appraisers shall be experienced in real estate valuation matters and shall be both impartial and unrelated to either of the City or the Lessee.

The arithmetic average of the two determinations of fair market value of the three appraisers so appointed (in either manner) which are closest in value shall be deemed to be the Fair Market Value and the third determination thereof shall be disregarded.

Each or the parties hereto shall pay for the services of its appointee and one-half (1/2) of the fee charged by the third appraiser and of all other proper costs, with the exception of attorneys' fees which shall be borne solely by the party incurring such fees.

23. JUDICIAL REFERENCE

In the event that a dispute arises between the parties in instances under this Lease which call for judicial reference, the City and Lessee agree to refer the dispute to judicial reference in accordance with the provisions of Section 638 et seq., of the California Code of Civil Procedure. The parties shall agree upon a single referee who shall then try all issues whether of fact or law, and report a finding in and a judgment thereon. If the parties are unable to agree upon a referee, either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640. The cost of such proceeding shall initially be borne equally by the parties. However, the prevailing party in such proceeding, or in any litigation between the parties, shall be entitled,

in addition to all other costs reasonably incurred, to recover its reasonable attorneys' fees and its contribution for the cost of the reference as an item of damage or recoverable costs.

24. AUTHORITY

A. City Representations. City warrants that it has full right, legal capacity and authority to enter into and perform its obligations under this Lease and except as otherwise set forth in this Lease, no approval or consent not heretofore obtained is necessary in connection with its execution on behalf of City or the performance of City's obligations hereunder.

B. Lessee Representations. Lessee warrants that it has full right, legal capacity and authority to enter into and perform its obligations under this Lease and except as otherwise set forth in this Lease, no approval or consent not heretofore obtained is necessary in connection with its execution on behalf of Lessee or the performance of Lessee's obligations hereunder.

25. NOTICES

A. Notices to City. The address for all Notices (hereinafter defined) given by Lessee to City shall be:

City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503
Attn: City Clerk
Fax: (310) 618-2931

and

City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503
Attn: City Manager
Fax: (310) 618-5891

B. Notices to Lessee. The address for all Notices hereunder given by City to Lessee shall be:

Torrance Flite Park, LLC
 24050 Madison Street, #202
 Torrance, CA 90505
 Attn: Ralph Martin; Hassan Izad
 Fax: (310) 547-1580

and

Murtaugh Miller Meyer & Nelson LLP
 2603 Main Street, 9th Floor
 Irvine, CA 92614-6232
 Attn: Richard P. Hidalgo
 Fax: (949) 794-4099

C. Effectiveness. Any and all notices, demands or other communications (“Notices”) required or desired to be given hereunder by either party shall be in writing and shall be validly given or made by any of the following methods: (i) by personal delivery; (ii) by facsimile transmission if also concurrently deposited for delivery by United States mail in the manner described in clause (iii); (iii) by deposit in the United States mail, certified or registered, postage prepaid; or (iv) by delivery by a same day or overnight courier (e.g., Federal Express, etc.). For Notices served personally or by courier, service shall be conclusively deemed made at the time of such personal service or refusal to accept service. Notice served by facsimile transmission shall conclusively be deemed to have been made as of the earlier of (a) the first business day following the date of transmission to the facsimile number, if any, shown above, so long as the sender has reasonable confirmation of the receipt by the receiving facsimile machine of the facsimile transmission; or (b) the date of receipt or refusal of the concurrently mailed copy of the Notice. If such Notice be given by mail, such shall be deemed delivered upon actual delivery or refusal to accept delivery, addressed to the party to whom such Notice is to be given at the address set forth above. Any party hereto may change its address or facsimile number for the purpose of receiving Notices as herein provided by a written notice given in the manner aforesaid to the other party or parties hereto. Notwithstanding the prescribed methods of delivery set forth above, actual receipt of written notice by the parties shall constitute notice given in accordance with this provision on the date received or refused.

26. GENERAL PROVISIONS

A. Remedies Cumulative. No remedy or election provided in any provision of this Lease shall be deemed exclusive unless so indicated, but shall whenever possible be cumulative with all other remedies in law or equity except as otherwise herein specifically provided.

B. Amendments and Modifications. This Lease shall not be amended or modified in any way, and no purported amendment or modification shall be effective, unless the same has been (i) approved by the City Council and set forth in a written instrument, expressly purporting to amend this Lease, executed by the City Manager or his or her designee or the Mayor for the City; (ii) executed by Lessee; and (iii) approved in writing by any Approved Leasehold Mortgagee.

C. Litigation Expenses. If either party to this Lease commences an action against the other party to this Lease arising out of or in connection with this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

D. Time. Time is of the essence of this Lease.

E. Headings. The paragraph headings contained in this Lease are for convenience and reference only, and are not intended to and shall not define, govern, limit, modify or in any manner affect the scope, meaning, or intent of any provision in this Lease.

F. Successors in Interest. Except as otherwise provide herein, each and every or term, covenant and condition of this Lease shall inure to the benefit of and shall bind, as the case may be, not only the parties hereto but each and every of the heirs, executors, administrators, successors, assigns and legal representatives of the parties hereto.

G. Waivers. The waiver by either Lessee or the City of any of the covenants, agreements, obligations, conditions, terms or provisions of this Lease shall not be construed to be a waiver of such covenant, agreement, obligation, condition, term or provision upon any subsequent breach of the same or of any other covenant, agreement, obligation, condition, term or provision herein contained. All waivers must be in writing and signed by the appropriate authorities of the party to be charged.

H. Gender and Number. In this Lease, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the neuter gender includes the masculine and/or feminine, and the singular number includes the plural and the plural includes the singular.

I. Memorandum of Lease. Neither party will suffer or permit all or any part or a copy of this Lease to be recorded; provided, however, that Lessee shall have the right, at Lessee's expense, including the expense of any documentary transfer tax, to record or cause to be recorded a memorandum of this Lease executed by both parties. Upon the expiration or earlier termination of this Lease, Lessee shall execute, acknowledge, and deliver to City within ten (10) days after City's request therefor, a quitclaim deed or such other document(s) required by a reputable title company to remove any cloud from City's title to the Leased Premises that might arise as a result of the memorandum.

J. No Brokers. In connection with this Lease, Lessee and City each for itself warrants and represents that it has had no dealings with any person who is or might be entitled to a commission, finder's fee or other like payment in connection with the transactions contemplated by this Lease and does hereby indemnify and agree to hold the other harmless from and against any and all loss, liability and expense that the other may incur should such warranty and representation prove incorrect.

K. Good Faith and Reasonableness. In the event any provision under this Lease shall require or anticipate that either party hereto make a judgment, give consent or approval, or exercise discretion, that party agrees to do so reasonably and in good faith, with due diligence, communicated to the other party in writing and without the imposition of conditions, except in those instances where a Lease provision specifically sets forth a different standard of approval, in which case the specific standard of that Lease provision shall govern.

L. Governing Law; Venue. This Lease is made under and shall be construed pursuant to the laws of the State of California. Any suit hereon or hereunder shall be brought only in a state or federal court sitting in the County of Los Angeles, State of California, and all parties hereto hereby agree that venue shall lie therein.

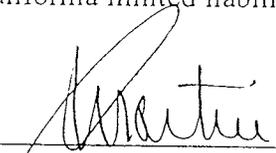
M. Execution in Counterpart. This Lease may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

N. Approvals By City Government Functions. No consent, approval or satisfaction of the City provided for hereunder, and no waiver by the City of any provisions hereof, shall be effective unless given in writing specifically referring to this Lease and executed by the City Manager or his or her designee or the Mayor for the City; no such consent, approval, satisfaction or waiver under or with respect to this Lease shall be inferred or implied from any other act or omission of the City or any agent or employee thereof. Similarly, unless otherwise expressly provided therein, no approval, consent or other action taken by the City under or pursuant to this Lease shall be deemed to waive any other rights or authority of the City in any capacity other than as the lessor under this Lease. Similarly, nothing contained in this Lease shall in any way restrict or diminish the rights, powers or jurisdiction of the City, its City Council, Planning Commission and other agencies with respect to the governance of the Leased Premises and all buildings improvements, businesses and activities located on or conducted thereon.

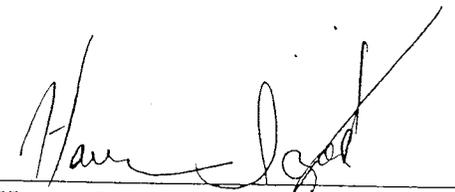
IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the Effective Date.

“LESSEE”

TORRANCE FLITE PARK, LLC
a California limited liability company

By: 

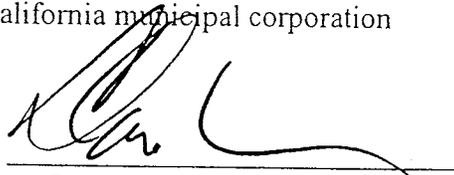
Ralph Martin
Its: Managing Member

By: 

Hassan Izad
Its: Managing Member

“CITY”

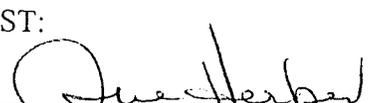
CITY OF TORRANCE,
a California municipal corporation

By: 

Dan Walker, Mayor

APPROVED AS TO FORM:

JOHN L. FELLOWS III,
City Attorney

ATTEST:
By: 

Sus Herbers, City Clerk

By: 

Heather Whitham, Deputy
City Attorney

WEST PARCEL ADDENDUM

The Amended and Restated Lease by and between City of Torrance and Torrance Flite Park, LLC dated April 1, 2003, as attached to this West Parcel Addendum, governs three areas in separate geographic locations within the boundaries of the Zamperini Field Torrance Municipal Airport. Due to the separate locations and the differing permitted uses for each of these areas, the parties to the Lease intend that development of these areas occur in three separately defined parcels, namely the "West Parcel," "East Parcel," and "Option Parcel" as defined in the Lease, and as described more specifically in Exhibit F and Exhibit G attached to the Lease.

For purposes of financing, an executed copy of the original Lease along with this executed Addendum and a copy of Lessee's acceptance regarding physical condition of the parcel (with proof of transmission to City) shall constitute the Lease for the West Parcel only. Because of the financial interaction that exists between all parcels as described in the Lease, the parties to the Lease intend that all terms and conditions for all parcels be known, understood, and accepted by all parties involved in any aspect of financing, development, operation, or administration of any particular parcel described in the Lease agreement.

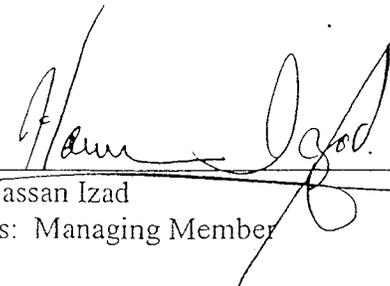
The parties to the Lease hereby ratify and affirm all provisions in such Lease that govern the parties' rights and obligations concerning the West Parcel (as defined by the Lease) as if the Lease were written to govern the West Parcel exclusively.

IN WITNESS WHEREOF, the parties hereto have executed this West Parcel Addendum effective as of December 26, 2001.

"LESSEE"

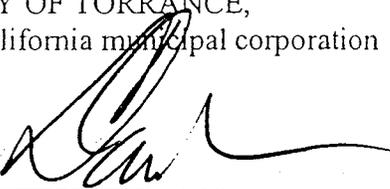
TORRANCE FLITE PARK, LLC
a California limited liability company

By: 
Ralph Martin
Its: Managing Member

By: 
Hassan Izad
Its: Managing Member

"CITY"

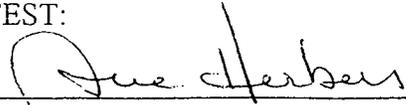
CITY OF TORRANCE,
a California municipal corporation

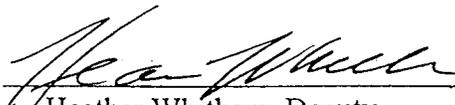
By: 
Dan Walker, Mayor

APPROVED AS TO FORM:

JOHN L. FELLOWS III,
City Attorney

ATTEST:

By: 
Sue Herbers, City Clerk

By: 
Heather Whitham, Deputy
City Attorney

EAST PARCEL ADDENDUM

The Amended and Restated Lease by and between City of Torrance and Torrance Flite Park, LLC dated April 1, 2003, as attached to this East Parcel Addendum, governs three areas in separate geographic locations within the boundaries of the Zamperini Field Torrance Municipal Airport. Due to the separate locations and the differing permitted uses for each of these areas, the parties to the Lease intend that development of these areas occur in three separately defined parcels, namely the "West Parcel," "East Parcel," and "Option Parcel" as defined in the Lease, and as described more specifically in Exhibit F and Exhibit G attached to the Lease.

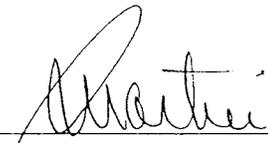
For purposes of financing, an executed copy of the original Lease along with this executed Addendum and a copy of Lessee's acceptance regarding physical condition of the parcel (with proof of transmission to City) shall constitute the Lease for the East Parcel only. Because of the financial interaction that exists between all parcels as described in the Lease, the parties to the Lease intend that all terms and conditions for all parcels be known, understood, and accepted by all parties involved in any aspect of financing, development, operation, or administration of any particular parcel described in the Lease agreement.

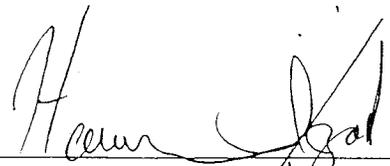
The parties to the Lease hereby ratify and affirm all provisions in such Lease that govern the parties' rights and obligations concerning the East Parcel (as defined by the Lease) as if the Lease were written to govern the East Parcel exclusively.

IN WITNESS WHEREOF, the parties hereto have executed this East Parcel Addendum as of APRIL 15, 2003, to become effective as of the date Lessee tenders written notice to City of Lessee's acceptance of the physical condition of the East Parcel pursuant to Paragraph 2B of the Lease.

"LESSEE"

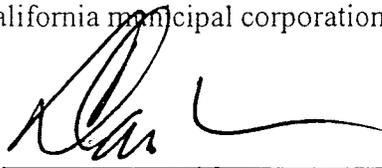
TORRANCE FLITE PARK, LLC
a California limited liability company

By: 
Ralph Martin
Its: Managing Member

By: 
~~Hassan Izad~~
Its: Managing Member

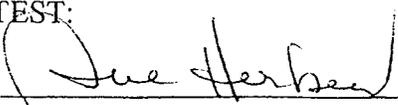
"CITY"

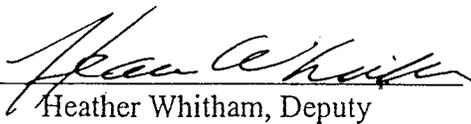
CITY OF TORRANCE,
a California municipal corporation

By: 
Dan Walker, Mayor

APPROVED AS TO FORM:

JOHN L. FELLOWS III,
City Attorney

ATTEST:
By: 
Sue Herbers, City Clerk

By: 
Heather Whitham, Deputy
City Attorney

OPTION PARCEL ADDENDUM

The Amended and Restated Lease by and between City of Torrance and Torrance Flite Park, LLC dated April 1, 2003, as attached to this Option Parcel Addendum, governs three areas in separate geographic locations within the boundaries of the Zamperini Field Torrance Municipal Airport. Due to the separate locations and the differing permitted uses for each of these areas, the parties to the Lease intend that development of these areas occur in three separately defined parcels, namely the "West Parcel," "East Parcel," and "Option Parcel" as defined in the Lease, and as described more specifically in Exhibit F and Exhibit G attached to the Lease.

For purposes of financing, an executed copy of the original Lease along with this executed Addendum and a copy of Lessee's acceptance regarding physical condition of the parcel (with proof of transmission to City) shall constitute the Lease for the Option Parcel only. Because of the financial interaction that exists between all parcels as described in the Lease, the parties to the Lease intend that all terms and conditions for all parcels be known, understood, and accepted by all parties involved in any aspect of financing, development, operation, or administration of any particular parcel described in the Lease agreement.

The parties to the Lease hereby ratify and affirm all provisions in such Lease that govern the parties' rights and obligations concerning the Option Parcel (as defined by the Lease) as if the Lease were written to govern the Option Parcel exclusively.

IN WITNESS WHEREOF, the parties hereto have executed this Option Parcel Addendum as of the APRIL 15, 2003, to become effective as of the date Lessee tenders written notice to City of Lessee's acceptance of the physical condition of the Option Parcel pursuant to Paragraph 2C of the Lease.

"LESSEE"

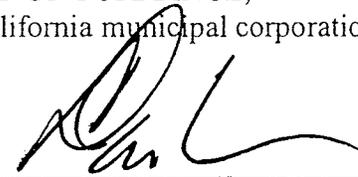
TORRANCE FLITE PARK, LLC
a California limited liability company

By: 
Ralph Martin
Its: Managing Member

By: 
~~Hassan Izad~~
Its: Managing Member

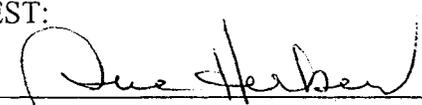
"CITY"

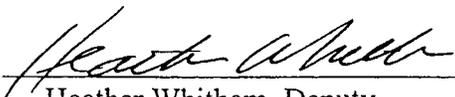
CITY OF TORRANCE,
a California municipal corporation

By: 
Dan Walker, Mayor

APPROVED AS TO FORM:

JOHN L. FELLOWS III,
City Attorney

ATTEST:
By: 
Sue Herbers, City Clerk

By: 
Heather Whitham, Deputy
City Attorney

QUITCLAIM DEED

THIS INDENTURE, made this 5th day of March, 1948, between the United States of America, acting by and through the War Assets Administration, and pursuant to Reorganization Plan 1 of 1947 (12 F.R. 4534), and pursuant to the powers and authority contained in the provisions of the Surplus Property Act of 1944 (58 Stat. 765) as amended, and applicable rules, regulations and orders, GRANTOR and the City of Torrance, a municipal corporation under the laws of the State of California, acting by and through its City Council, GRANTEE,

WITNESSETH: That the said Grantor, for and in consideration of the assumption by the Grantee of all the obligations and its taking subject to certain reservations, restrictions, and conditions, and its covenant to abide by certain other reservations, restrictions, and conditions, all as set out hereinafter, has remised, released, and forever quitclaimed, and by these presents does remise, release, and forever quitclaim unto the said Grantee, its successors, and assigns, under and subject to the reservations, restrictions, and conditions, exceptions and rights hereinafter set out, all its right, title, and interest in the following described property situated in the County of Los Angeles, State of California, to wit:

That portion of Lot 1 of Tract No. 9765, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of Los Angeles County, in the City of Torrance, County of Los Angeles, State of California, and described as follows:

Beginning at the northeasterly corner of said Lot 1; thence along the East line of said Lot 1, South 0° 03' 45" East 4302.77 feet to the center line of the Pacific Coast Highway, 100 feet wide, as described in the deed to the State of California recorded in Book 12743, Page 23 of Official Records of said county; thence along said center line as follows:

South 89° 56' 15" West 26.04 feet to the beginning of curve concave northerly and having a radius of 1146.26 feet; thence westerly along the arc of said curve 821.34 feet; thence North 49° 00' 30" West 2390.48 feet; thence North 49° 00' 56" West 11.96 feet to the beginning of a curve concave northeasterly and having a radius of 14,000 feet; thence along the arc of said curve 777.84 feet; thence North 45° 49' 56" West 3481.23 feet to the beginning of a curve concave southwesterly and having a radius of 3000 feet; thence northwesterly along the arc of said curve 400.42 feet to the intersection of said center line with the West line of said Lot 1; thence along said West line North 0° 01' 25" West 1783.98 feet; thence South 51° 45' 55" East 6984.73 feet; thence North 38° 14' 05" East, 550 feet; thence North 51° 45' 55" West 6524.31 feet to a point on the northeasterly line of said Lot 1; said last mentioned point being distant along said northeasterly line South 62° 50' 50" East, 780.59 feet from the most northerly corner of said Lot 1; thence South 62° 50' 50" East along the said northeasterly line of Lot 1, a distance of 5921.76 feet to the northeasterly corner of said Lot 1, the point of beginning, containing 285.463 acres, more or less;

Excepting therefrom:

PARCEL 1-A

An easement for embankment slopes upon, over and across that portion of said Lot 1 of Tract No. 9765, described as follows:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 3334.31 to the TRUE POINT OF BEGINNING OF PARCEL 1-A;

Thence South $54^{\circ} 37' 40''$ East a distance of 400.50 feet more or less; thence South $51^{\circ} 45' 55''$ East 2300 feet; thence South $46^{\circ} 03' 17''$ East 201 feet; thence North $51^{\circ} 45' 55''$ West 2900 feet to the true point of beginning;

and excepting therefrom:

PARCEL 1-B

An easement for road purposes upon, over and across that portion of said Lot 1 of Tract 9765, included within a strip of land 40 feet wide, being 20 feet on each side of the following described center line:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 6534.31 feet; thence South $38^{\circ} 14' 05''$ West 230 feet to the TRUE POINT OF BEGINNING OF PARCEL 1-B;

Thence South $51^{\circ} 45' 55''$ East 159.79 feet; thence southwesterly 133.72 feet along the arc of a curve concave northeasterly and having a radius of 200 feet; thence North $89^{\circ} 55' 35''$ East 50.37 feet, to a point on the westerly prolongation of the center line of 251st Street, shown as Almond Street on map recorded in Book 17, page 125 of Maps, in the office of the County Recorder of Los Angeles County, State of California, said point being South $0^{\circ} 03' 45''$ East, 25 feet from the southwest corner of Lot 10 of Tract No. 592 as shown on said map recorded in Book 17, page 125 of Maps;

and excepting therefrom:

PARCEL 1-C

An easement for drainage facilities upon, over and across that portion of said Lot 1 of tract No. 9765, included within a strip of land 52 feet wide, being 26 feet on each side of the following described center line:

Beginning at a point on the northeasterly line of said Lot 1, distant thereon, South $62^{\circ} 50' 50''$ East 3978.62 feet from the most northerly corner of said Lot; thence South $51^{\circ} 50' 55''$ East, 782.14 feet; thence South $15^{\circ} 09' 05''$ West 548.57 feet;

BOOK 27145 Page 364

Thence southwesterly along a curve concave northwesterly, tangent to last described line and having a radius of 520.60 feet; through an angle of $49^{\circ} 30'$ and an arc distance of 449.77 feet; thence tangent South $64^{\circ} 39' 05''$ West, 605 feet to a point in an existing drainage channel:

AND ALSO, an easement for drainage facilities upon, over and across that portion of said Lot 1, included within a strip of land 32 feet wide, being 16 feet on each side of the following described center line:

Beginning at the Southerly terminus of that certain course herein described as having a length of 848.57 feet; thence southeasterly along a curve concave northeasterly, tangent to said course having a length of 848.57 feet and having a radius of 550 feet, through an angle of $41^{\circ} 00'$, an arc length of 393.57 feet; thence tangent South $25^{\circ} 50' 55''$ East, a distance of 574.06 feet; thence southerly along a curve concave Westerly, tangent to last described course and having a radius of 500 feet, through an angle of $25^{\circ} 39'$, an arc distance of 223.84 feet; thence tangent South $0^{\circ} 11' 55''$ East, a distance of 200 feet to a point in an existing drainage channel.

TOGETHER WITH those certain chattel enumerated in Exhibit "9" attached hereto and made a part hereof; and TOGETHER WITH all buildings, structures, and improvements located thereon, except those thirty-four (34) structures hereinafter enumerated, and described in a certain inventory attached hereto and made a part hereof, marked Exhibit "A", and located on that portion of the demised premises more particularly described in said Exhibit "A", being a part of the same property acquired by the United States of America under proceedings in condemnation had in Case No. 2527-PH, Civil, of record in the District Court of the United States, Southern District of California, Central Division.

The above described premises are transferred subject to the following encumbrances: All existing easements for roads, highways, public utilities, railways, and pipe lines; leasehold interest executed by the Grantor as Lessor and by A. P. Wright as Lessee, designated as Lease No. W-04-103-Eng.-4974, dated April 17, 1945; and the right of the United States of America to occupy use, and maintain in place, together with reasonable means of ingress and egress without payment to the Grantee, its successors, or assigns, all the buildings and structures enumerated in Exhibit "A", and located on the demised premises.

EXCEPTING, HOWEVER, from this conveyance all right, title, and interest in and to all property in the nature of equipment, furnishings, and other personal property which can be removed from the land without material injury to the land or structures located thereon other than those chattels enumerated in Exhibit "B"; and reserving to the Grantor the right of removal from the premises of the personal property excepted hereby within a reasonable period of time after the date hereof, which shall not be construed to mean any period less than one (1) year after the date of this instrument.

AND FURTHER EXCEPTING, from this conveyance and reserving to the GRANTOR, in accordance with Executive Order 9908 approved December 5, 1947 (12 F.R. 8223), all uranium, thorium, and all other materials determined pursuant to section 5 (b) (1) of the Atomic Energy Act of 1946 (60 Stat. 761) to be peculiarly essential to the production of fissionable material, contained, in whatever concentration, in deposits in the lands covered by this instrument, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine, and remove the same, making just compensation for any damage or injury occasioned thereby. However, such land may be used, and any rights otherwise acquired by this disposition may be exercised, as if no reservation of such materials had been made; except that, when such use results in the extraction of any such material from the land in quantities which may not be transferred or delivered without a license under the Atomic Energy Act of 1946, as it now exists or may hereafter be amended, such material shall be the property of the United States Atomic Energy Commission, and the Commission may require delivery of such material to it by any possessor thereof after such material has been separated as such from the ores in which it was contained. If the Commission requires the delivery of such material to it, it shall pay to the person mining or extracting the same, or to such other person as the Commission determines to be entitled thereto, such sums, including profits as the Commission deems fair and reasonable for the discovery, mining, development, production, extraction and other services performed with respect to such material prior to such delivery, but such payment shall not include any amount on account of the value of such material before removal from its place of deposit in nature. If the Commission does not require delivery of such material to it, the reservation hereby made shall be of no further force or effect.

AND FURTHER EXCEPTING from this conveyance and reserving to the Grantor all minerals, other than those specifically mentioned in the last paragraph above, and all petroleum in the above described land, together with the exclusive right at any and all times to enter upon the lands and prospect for, mine for, and remove such minerals or petroleum, with all necessary and convenient means of working and transporting the materials and supplies; and reserving unto the Grantor the exclusive right at any time to drill from adjacent premises into and through the sub-surface of the land hereby transferred, in order to recover, remove, and transport therefrom any minerals or petroleum herein reserved. By accepting this instrument, or any rights hereunder, the said Grantee hereby releases the Grantor from any and all liability for all claims and losses or damage arising out of the exceptions and reservations above.

§ Said property transferred hereby was duly declared surplus and was assigned to the War Assets Administration for disposal, acting pursuant to the provisions of the above-mentioned Act, as amended, Executive Order 9689, and applicable rules, regulations, and orders.

By the acceptance of this deed or any rights hereunder, the said Grantee, for itself, its successors, and assigns agrees that transfer of the property transferred by this instrument, is accepted subject to the following restrictions set forth in subparagraphs (1) and (2) of this paragraph, which shall run with

the land, imposed pursuant to the authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944, as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations, and orders:

(1) That all of the property transferred hereby, hereafter in this instrument called the "airport", shall be used for public airport purposes, and only for such purposes, on reasonable terms and without unjust discrimination and without grant or exercise of any exclusive right for use of the airport within the meaning of Section 303 of the Civil Aeronautics Act of 1938.

(2) That the entire landing area, as hereinafter defined, and all structures, improvements, facilities, and equipment of the airport shall be maintained at all times in good and serviceable condition to assure its efficient operation; provided, however, that such maintenance shall be required as to structures, improvements, facilities, and equipment only during the remainder of their estimated life, as determined by the Civil Aeronautics Administration or its successor Government agency. In the event materials are required to rehabilitate or repair certain of the aforementioned structures, improvements, facilities, or equipment they may be procured by demolition of other structures, improvements, facilities, or equipment transferred hereby and located on the above-described premises, which have outlived their use as airport property in the opinion of the Civil Aeronautics Administration or its successor Government agency.

By the acceptance of this deed or any rights hereunder, the said Grantee for itself, its successors, and assigns, also assumes the obligations of, covenants to abide by, and agrees to, and this transfer is made subject to, the following reservations and restrictions set forth in subparagraphs (1) to (6) of this paragraph, which shall run with the land, imposed pursuant to the authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944, as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations and orders:

(1) That insofar as is within its power and reasonably possible, the Grantee and all subsequent transferees shall prevent any use of land either within or outside the boundaries of the airport, including the construction, erection, alteration, or growth of any structure or other object thereon, which use would be a hazard to the landing, taking-off, or maneuvering of aircraft at the airport, or otherwise limit its usefulness as an airport.

(2) That the building areas and non-aviation facilities, as such terms are hereinafter defined, of or on the airport shall be used, altered, modified, or improved only in a manner which does not interfere with the efficient operation of the landing area and of the airport facilities, as hereinafter defined.

(3) That itinerant aircraft owned by the United States of America (hereinafter sometimes referred to as the "Government") or operated by any of its employees or agents or Government business shall at all times have the right to use the airport in common with others; Provided, however, that such use may be limited as may be determined at any time by the Civil Aeronautics Administration or its successor Government agency to be necessary to prevent interference with use by other authorized aircraft, so long as such limitation does not restrict Government use to less than twenty-five (25) per centum of capacity of the landing area of the

airport. Government use of the airport by virtue of the provisions of this subparagraph shall be without charge of any nature other than payment for damage caused by such itinerant aircraft.

(4) That during the existence of any emergency declared by the President of the United States of America or the Congress thereof, the Government shall have the right without charge, except as indicated below, to the full, unrestricted possession, control, and use of the landing area, building areas, and airport facilities, as such terms are hereinafter defined, or any part thereof, including any additions or improvements thereto made subsequent to the declaration of any part of the airport as surplus; Provided, however, that the Government shall be responsible during the period of such use for the entire cost of maintaining all such areas, facilities, and improvements, or the portions used, and shall pay a fair rental for the use of any installations or structures which have been added thereto without Federal aid.

(5) That no exclusive right for the use of any landing area or air navigation facilities, included in or on the airport shall be granted or exercised,

(6) That the property transferred hereby may be successively transferred only with the approval of the Civil Aeronautics Administration or its successor Government agency, and with the proviso that any such subsequent transferee assumes all the obligations imposed upon the Grantee by the provisions of this instrument.

As used in this Quitclaim Deed, the following terms shall have the following meanings:

(a) "Landing Area" means any land, or combination of water and land, together with improvements thereon and necessary operational equipment used in connection therewith, which is used for landing, take-offs, and parking of aircraft. The term includes but is not limited to, runways, strips, taxiways, and parking aprons.

(b) "Building Area" means any Land other than a landing area, used or necessary for or in connection with the operation or maintenance of an airport.

(c) "Non-aviation facilities" means any building, structures, improvements and equipment located in a building area and used in connection with, but not required for the efficient operation and maintenance of the landing area or the airport facilities.

(d) "Airport facilities" means any buildings, structures, improvements and operational equipment other than non-aviation facilities, which are used and necessary for or in connection with the operation and maintenance of an airport.

By acceptance of this instrument or any rights hereunder, the Grantee further agrees with the Grantor as follows:

(1) That upon a breach of any of the aforesaid reservations or restrictions by the Grantee or any subsequent transferee, whether caused by the legal inability of said Grantee or subsequent transferee to perform any of the obligations herein set out, or otherwise, the title, right of possession, and all other rights transferred to the Grantee, or any portion thereof, shall at the option of the Grantor revert to and become the property of the United States of America upon demand made in writing by the War

Assets Administration or its successor Government agency at least sixty (60) days prior to the date fixed for the reversion of such title, right of possession, and other rights transferred, or any portion thereof; Provided, that, as to installations or structures which have been added to the premises without Federal aid, the United States of America, shall have the option to acquire title to or use of the same at the then fair market value of the rights therein to be acquired by the United States of America.

(2) That if the construction as covenants of any of the foregoing reservations and restrictions recited herein as covenants, or the application of the same as covenants in any particular instance is held invalid, the particular reservations or restrictions in question shall be construed instead merely as conditions upon the breach of which the Grantor may exercise its option to cause the title, right of possession and all other rights transferred to the Grantee, or any portion thereof, to revert to the United States of America, and the application of such reservations or restrictions as covenants in any other instance and the construction of the remainder of such reservations and restrictions as covenants shall not be affected thereby.

TO HAVE AND TO HOLD the said premises, with appurtenances, except those rights excepted and reserved above, and under and subject to the aforesaid reservations, restrictions, and conditions, unto the said Grantee, its successors, and assigns forever.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed as of the day and year first above written.

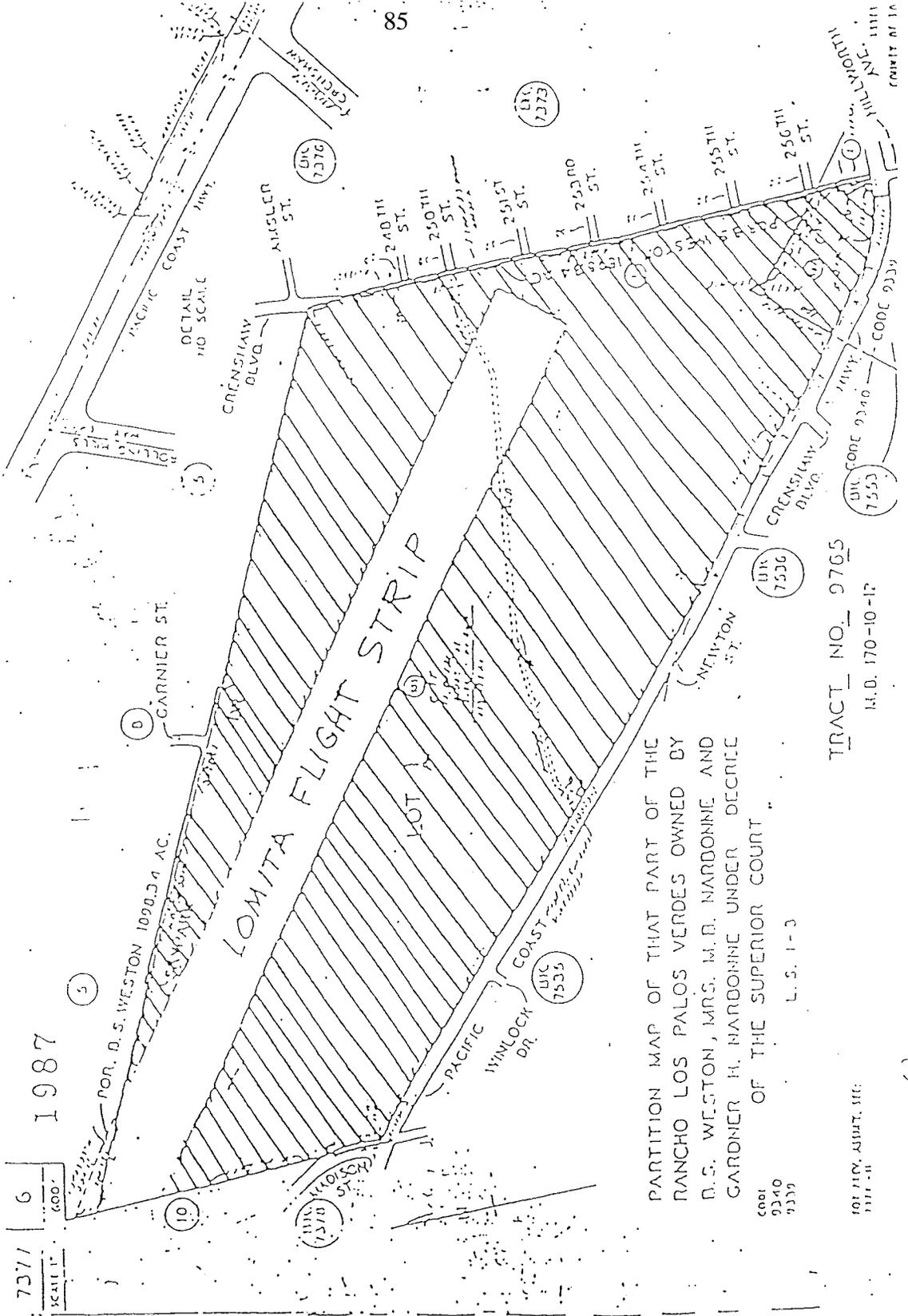
THE UNITED STATES OF AMERICA
Acting by and through
WAR ASSETS ADMINISTRATION

By s/ ROBERT F. ALFORD
DEPUTY REGIONAL DIRECTOR
For Real Property Disposal
Los Angeles Regional Office
War Assets Administration

WITNESSES:

s/ Devera L. Scholnek

s/ Doris Goodman



7371 6
 SCALE 1" = 600'
 1987

POR. D. S. WESTON 1098.34 AC.
 (5)

LOMITA FLIGHT STRIP
 LOT 1
 (3)

PARTITION MAP OF THAT PART OF THE
 RANCHO LOS PALOS VERDES OWNED BY
 D. S. WESTON, MRS. M. B. NARDONNE AND
 GARDNER H. NARDONNE UNDER DECREE
 OF THE SUPERIOR COURT
 COOL
 9340
 9339

L. S. 1-3

TRACT NO. 9765

H. D. 170-10-12

FOR FILE, ADJUST. SEC.
 1987-11

(2) SEE SAME WITH OTHER MAPS.

EXHIBIT "B"

LEGAL DESCRIPTION OF WEST PARCEL

That property in the City of Torrance, County of Los Angeles, State of California more particularly described as: Parcels 2, 3, 4, 5, and 6 of Official Map Number 2 as per map recorded in Book 5, Pages 44 through 51 inclusive of Official Maps, records of said County, of that certain land consisting of approximately 188,730 square feet; Except therefrom the south easterly 105' of said Parcel 6.

EXHIBIT "C"

LEGAL DESCRIPTION OF EAST PAREL

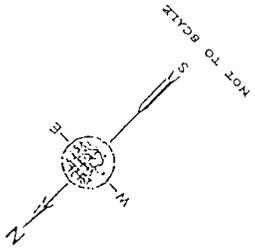
That property in the City of Torrance, County of Los Angeles, State of California more particularly described as: Parcels 12, 13, 14, 15 and 16 except therefrom the easterly 100.50 feet of said parcel 16, of Official Map Number 2 as per map recorded in Book 5, Pages 44 through 51 inclusive of Official Maps, records of Said County, of that certain land consisting of approximately 260,175 square feet.

EXHIBIT "D"

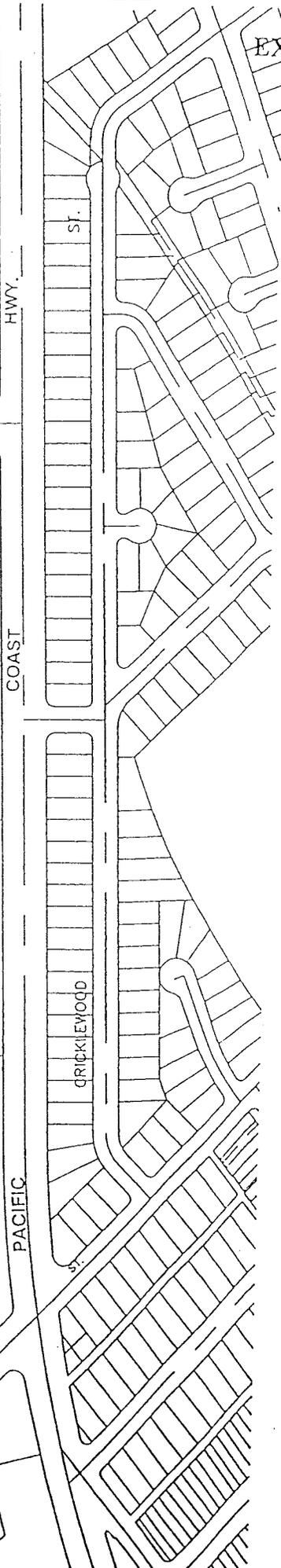
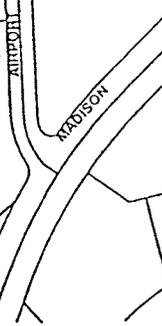
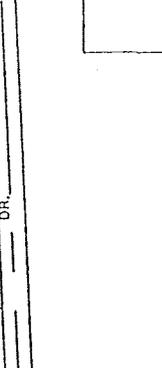
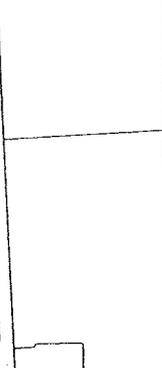
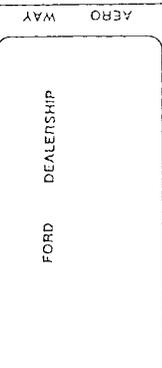
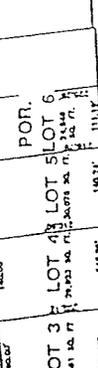
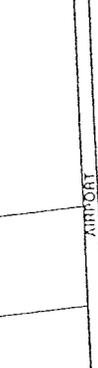
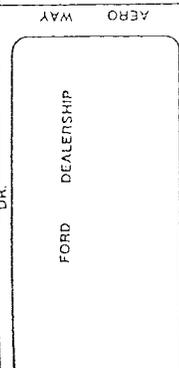
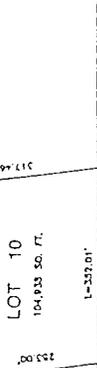
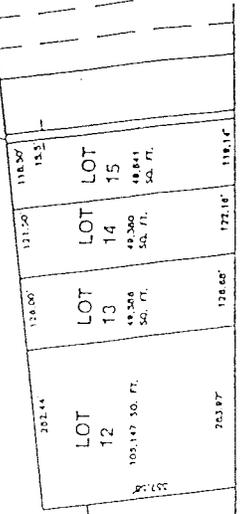
LEGAL DESCRIPTION OF OPTION PARCEL

That property in the City of Torrance, County of Los Angeles, State of California more particularly described as: Parcel 10 of Official Map Number 2 as per map recorded in Book 5, Pages 44 through 51 inclusive of Official Maps, records of said County, of that certain land consisting of approximately 104,938 square feet.

TORRANCE AIRPORT



POR 16
600.57'
50. FT.



TORRANCE FLITE PARK LEASE MAP

EXHIBIT F

GENERAL DESCRIPTION

The TFP plan is to create a development accommodating a series of FBO operations, aviation-related office facilities, a series of modern technology aircraft storage hangars, as well as a small destination park. This aviation-oriented mini-park is planned to complement the General Aviation Center and to add to the many other facilities that attract aircraft users, employees, pedestrians (and sightseers) to the airport.

TFP's plan of development anticipates construction involving three parcels called West Parcel, Option Parcel and East Parcel. The development proposed for each parcel is diagrammed in illustrative plans and a block-out or building "footprint" plans in Exhibits F and G.

HANGAR MIX

TFP's plan is to develop and operate three types of hangars:

Hangar Type 1 is the so-called "nested" T hangar, offering conveniences such as powered doors, running water and lavatories. The TFP plan anticipates a quantity of forty-five Type 1 hangars, or 46% of the total proposed mix. Expected aircraft for those Type 1 hangars include most smaller light aircraft, high performance single engine and most light twin aircraft; this list includes Beechcraft Conanzas and Barons, Cessna 210 and 310 series Piper Cherokee, and Senecas, etc. These hangars will accommodate a 40' wingspan and will contain approximately 1,300 s.f. of floor area.

Hangar Type 2 is a medium size hangar, measuring approximately 44' x 40'; it is rectangular in shape, accommodating power doors, support storage and lavatories. Type 2 hangars will accommodate Beechcraft Duke, Cessna 340 and 400 series, Piper Navajo, and other executive aircraft. TFP proposes approximately twenty-eight of Type 2 hangars, representing 29% of the proposed mix.

Hangar Type 3 is a specialty type hangar whose purpose is two-fold:

- a. Multi-aircraft storage of larger executive aircraft
- b. Potential FBO, sales, storage, and maintenance facilities

These hangars vary in size depending on their adaptability for FBO purposes, ranging up to 9,000 square feet. The TFP plan anticipates approximately 20 Type 3 hangars, or 21% of the proposed mix.

WEST PARCEL DEVELOPMENT

The West Parcel is planned to accommodate FBO operations and thirty-six hangars supported by adequate auto parking and featuring a significant landscaped open space element. The diagram on the following pages illustrates the proposed West Parcel program which emphasizes open space, landscaping and low profile business office/FBO facilities near the intersection of Madison Street and Airport Drive.

Approximately 6,600 square feet of floor space is anticipated for FBO activity, while the thirty-six hangar space inventory is planned for four executive FBO hangars (Type 3), 20 Type 2 and 12 Type 1 hangars. As with all proposed hangars, TFP proposes these as steel structures clad with steel panels and internally furnished with drywall, fire retardant surfaces.

The prototype building design for the FBO facilities is the same flex-space anticipated for the West Parcel, Option Parcel and the East Parcel one or two story structures. This particular design approach allows for the creation of many “corner” offices and workspaces to accommodate the variety of activities that fit under the broader interpretation of “FBO”. In addition the TFP plan proposes a restaurant to be located in the FBO building proposed for the Option Parcel.

EAST PARCEL DEVELOPMENT

The East Parcel construction program is planned to accommodate a series of FBO operations in one FBO facility and fifty-three hangars. This step is anticipated to allow the return of full service activity of the current FBO’s which may have been displaced temporarily by the construction of the earlier phases, as well as other operators to be solicited by TFP.

The East Parcel development contemplates the following mix of hangars:

Type T1	Approximately 33 representing 62% of East Parcel hangars
Type T2	Approximately 8 representing 15% of East Parcel hangars
Type T3	Approximately 12 representing 23% of East Parcel hangars

East Parcel is anticipated to be constructed in two phases:

Phase 1 (West Portion) – consisting of 28 hangars

Phase 2 (East Portion) – consisting of 25 hangars

The East Parcel FBO building of approximately 10,000 square feet is anticipated to be constructed during Phase 2 unless demand suggests a start of construction during Phase 1. The East Parcel is also proposed to accommodate one underground aviation fuel storage facility.

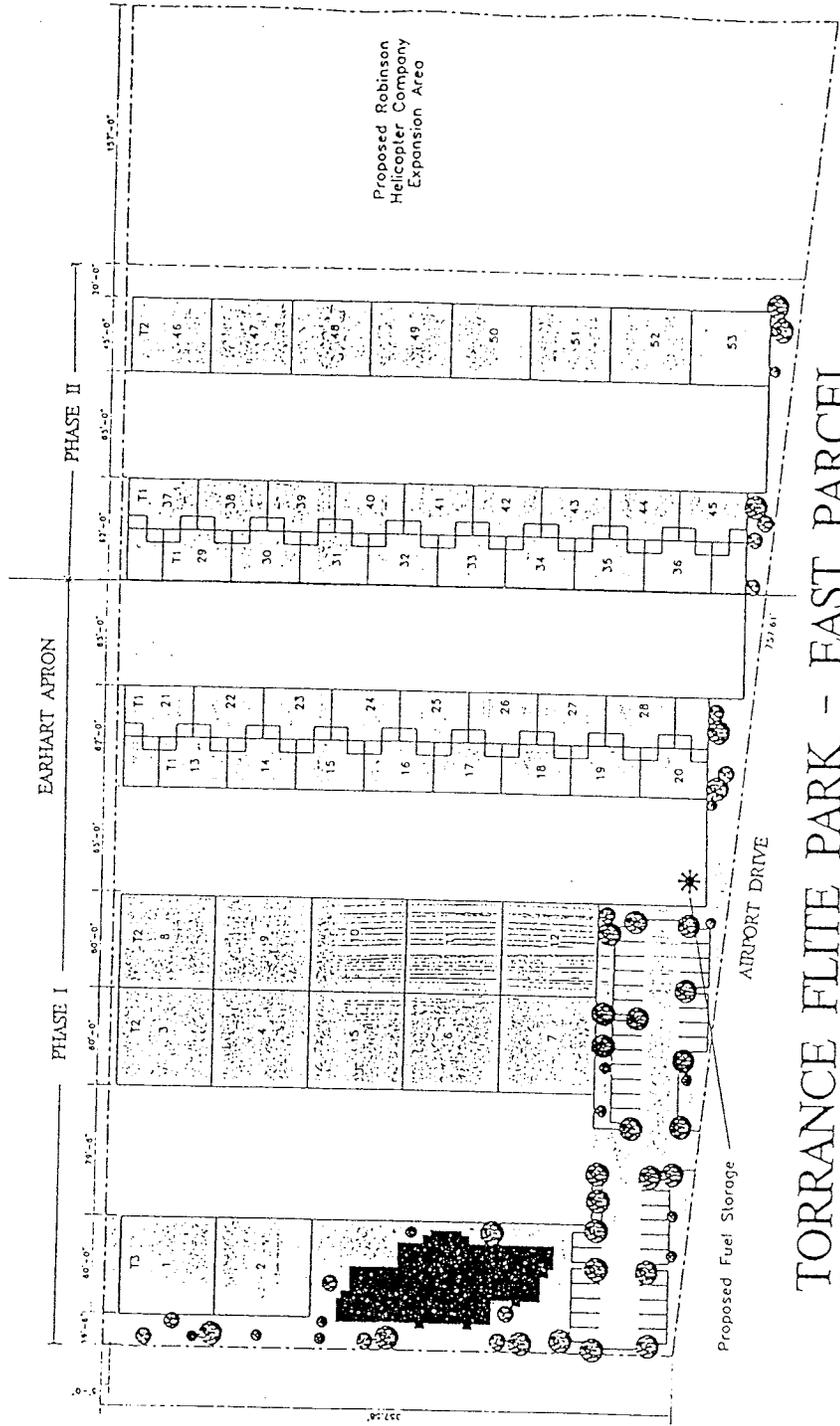
WEST AND EAST PARCEL FBO BUILDING DESIGN

TFP is exploring two alternative methods of construction for these facilities:

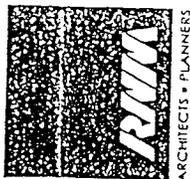
1. Conventional wood frame with stucco wall finish and tile roofs.
2. A new technology panel construction system utilizing pre-fabricated polystyrene/concrete panels for both exterior and interior walls as well as for roof construction. This innovative technology system will be explored with City of Torrance Building Officials to assure acceptance and efficient construction scheduling.

APPROVALS

With respect to all buildings proposed for the East and West parcels; building elevations, material, colors and landscaping are subject to approval of the City's Planning Director.



Air Tower
and Vehicle
Paved/Access Area



ARCHITECTS + PLANNERS



CONCEPT PLAN

COPYRIGHT 2003 RMM ARCHITECTS PLANNERS

TORRANCE FLITE PARK - EAST PARCEL
 TECHNICAL PLAN SHOWING HANGAR TYPES T1 T2 T3
 EXHIBIT F 4-2-03

EXHIBIT G-1

PROPOSED OPTION PARCEL DEVELOPMENT

Development of the Option Parcel is proposed to take place on the 2.41 acre area immediately southwest of the FAA control tower. TFP believes this parcel should be used in a compatible manner relating to the General Aviation Center and the FAA tower to complement the "entry" to the airport theme with its landscaped open space adjacent to Airport Drive.

The Option Parcel is planned as an FBO office and general aviation storage complex, featuring a small park in the northeast corner of the Option Parcel, related to a restaurant proposed in the FBO complex. This is intended as a citizen-friendly space; the attached plan and illustrations show how the building massing is planned to afford maximum interior and open-space view to the airport and its operating activities.

CONCEPT PLAN B

The development plan for North Portion Option Parcel includes four larger T3 type hangars for FBO operations, and general aviation aircraft storage. These hangars are expected to total about 20,000 square feet in area.

Utilizing the proposed FBO/Office design prototype, the Option Parcel consists of a 6,000-10,000 s.f. airport-oriented office building with related outdoor decks and patios, situated in a two-story building.

CONCEPT PLAN A

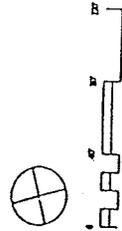
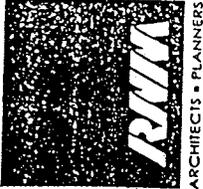
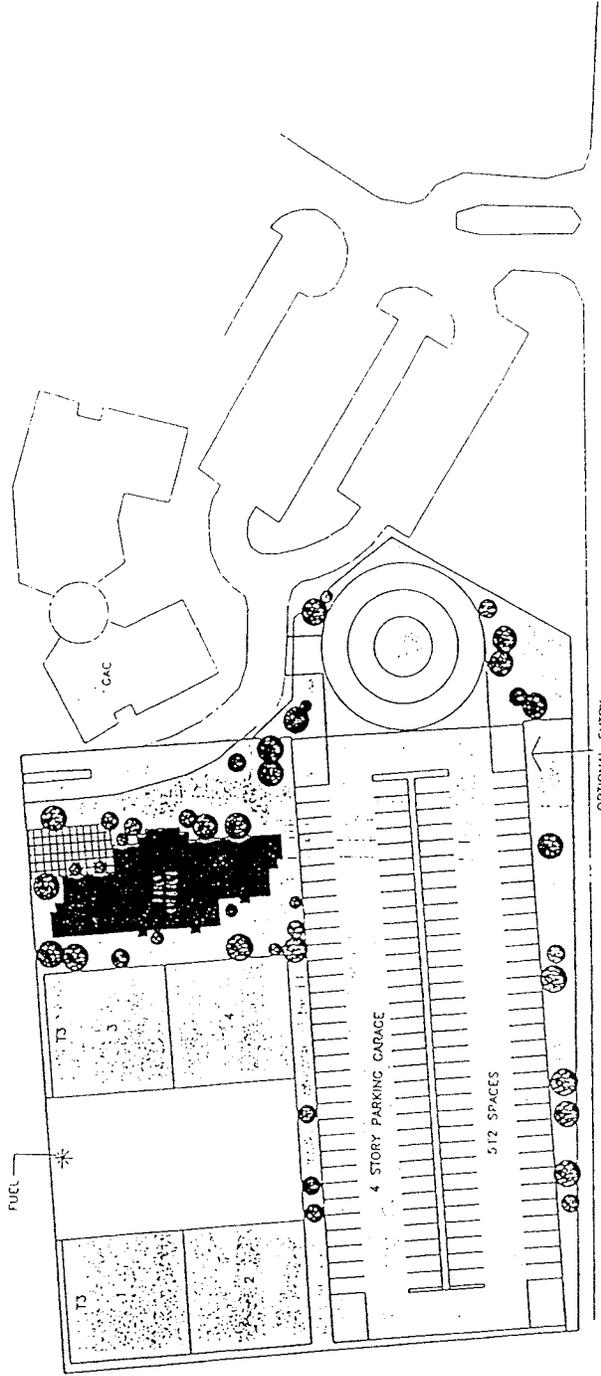
The proposed complex features a 512 space parking structure on South Portion Option Parcel allowing for FBO building and aircraft hangar occupant parking; in addition the air space over the first level of parking is anticipated as a potential overflow parking facility for local area businesses.

The Option Parcel plan also anticipates the replacement of the closed vehicular entry (east of the FAA tower) to be constructed by the City of Torrance at the northeasterly corner of the Option Parcel. In addition, underground aviation fuel storage is anticipated on the Option Parcel.

APPROVALS

With respect to all buildings proposed in the Option Parcel; building elevations, materials, colors and landscaping are subject of approval of the City's Planning Director.

EARHART APRON



CONCEPT PLAN A

COPYRIGHT 1999 RMA ARCHITECTS PLANNERS

TORRANCE FLITE PARK - CENTRAL PARCEL
 TECHNICAL PLAN SHOWING T3 HANGAR DEVELOPMENT EXHIBIT G1 4-2-03

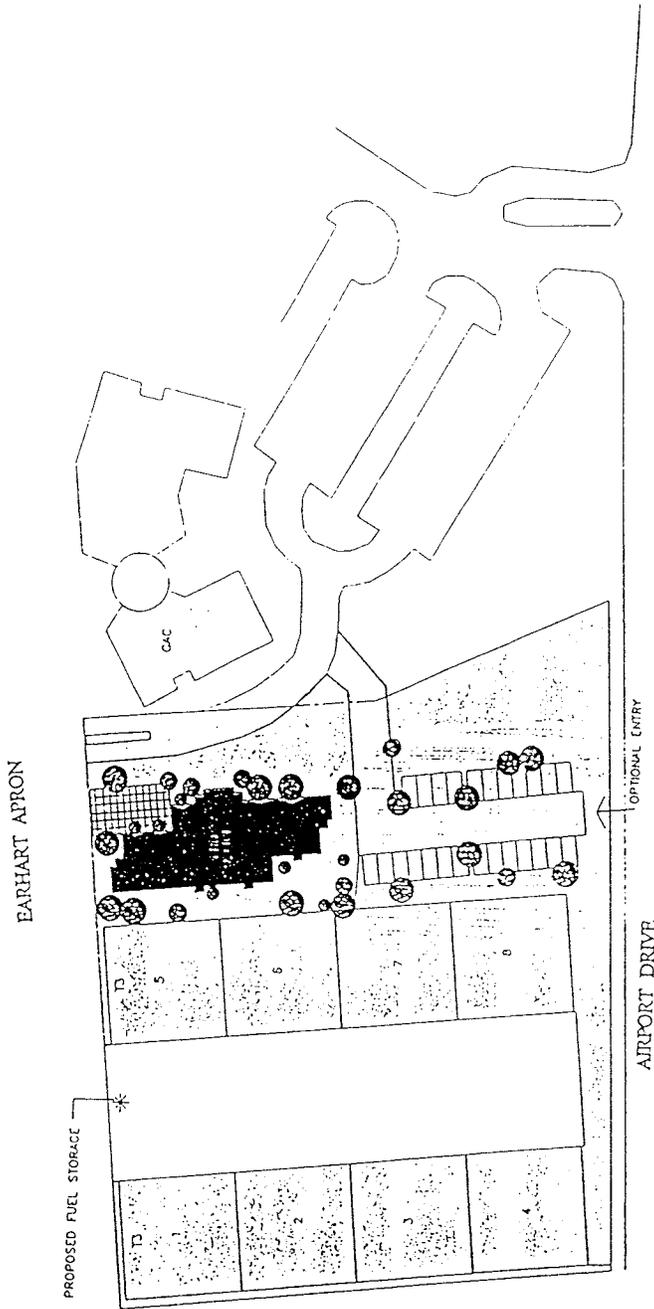
EXHIBIT G-2

SOUTH PORTION OPTION PARCEL DEVELOPMENTCONCEPT PLAN C

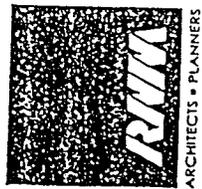
The Option Parcel South Portion development plan anticipates four (4) T3 type hangars to accommodate FBO and general aviation storage activity.

The proposed complex anticipates surface level vehicular parking in response to City of Torrance parking requirements.

The Option Parcel plan also anticipates the replacement of the closed vehicular entry (east of the FAA tower) to be constructed by the City of Torrance at the northeasterly corner of the Option Parcel. In addition, underground aviation fuel storage is anticipated on the Option Parcel.



TORRANCE FLITE PARK - CENTRAL PARCEL
 TECHNICAL PLAN SHOWING THE HANGER DEVELOPMENT EXHIBIT G2 4/2/03



CONCEPT PLAN B

COPYRIGHT 1999 RMA ARCHITECTS PLANNERS