

THROUGH-THE-FENCE AGREEMENT

THIS THROUGH-THE-FENCE AGREEMENT ("Agreement") is entered into on November 16, 2009, by and between the CITY OF HAWTHORNE, a municipal corporation ("City") and Hawthorne Hangar Operations, LLC ("HHO"), with reference to the following facts:

RECITALS

A. City is the owner of Hawthorne Municipal Airport-Jack Northrop Field ("Airport") located in the City of Hawthorne, county of Los Angeles and depicted on Exhibit A. The City has leased portions of the airport to Hawthorne Airport LLC for a 45 year term.

B. HHO is purchasing certain real property ("Subject Property") that is contiguous to the southern perimeter of the Airport, formerly the Northrop Hangar Facility, which includes thereon Taxilanes intended for Airport Access. The Subject Property is depicted and legally described on Exhibit B.

C. City and HHO desire to enter into this Agreement in order to (i) continue ongoing use of the former Northrop hangar/facility and revitalize Aeronautical Activities at the Airport by providing Airport Access to HHO, and (ii) provide for secure, safe, orderly and efficient Aeronautical Activities on the Subject Property.

D. This Agreement has met Federal Aviation Administration ("FAA") requirements for secure through-the-fence operations at the Airport.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, City and HHO (each herein called a "party" and jointly "the parties") agree to the terms, conditions and limitations described herein.

1. TERM

1.1 Agreement Term

Term of this Agreement shall commence on the Effective Date (as defined in Section 2 below), and shall terminate on the earlier to occur of (i) the effective date on which written notice of termination is delivered to either party pursuant to section 14 hereof, (ii) the occurrence of the date of termination now provided in the 45-year lease of the Airport between City and Hawthorne Airport, LLC or any extensions thereof, or (iii) the effective date of any FAA, other federal,

or state regulation or decision prohibiting Airport Access occurring subsequent to the Effective Date.

2. DEFINITIONS

The following words and phrases, whenever used in this Agreement, shall be construed as defined below, unless a different meaning is specifically defined and more particularly described herein to the use of such words or phrases. All definitions contained in 49 U.S.C. § 40101 et seq., (previously known as the Federal Aviation Act of 1958, hereinafter cited as "FAA Act") and all amendments thereto shall be considered as included herein; and all definitions shall be interpreted on the basis and intention of the FAA Act and amendments thereto unless a different meaning is specifically defined and more particularly ascribed to the use of such word or phrases.

Accident means a collision or other contact between any part of an aircraft or a vehicle, person, stationary object or other thing which results in property damage, personal injury, or death; or any entry into or emerging from a moving aircraft or vehicle by a person which results in personal injury or death to such person or some other person or which results in property damage.

Aeronautical Activity means any activity or service which involves, makes possible, or is required for the operation of aircraft, or contributes to, or is required for, the safety of such operations. "Aeronautical Activities" include, but are not limited to, charter operations (under either Federal Aviation Regulations (FAR) Part 121 or 135), charter brokerage, aircraft hangar leasing, pilot training, aircraft rental and sight-seeing, aerial photography, fire suppression, aerial advertising and surveying, aircraft sales, leasing and servicing, and aircraft management, whether or not conducted in conjunction with other included activities which have a direct relationship to the operation of aircraft, repair and maintenance of aircraft, sale of general aviation aircraft parts, and any other activities which because of their relationship to the operation of aircraft can appropriately be regarded as an "Aeronautical Activity."

Aircraft means any device intended to be used, or designed, to navigate, or fly in the air.

Airport means all of the city-owned or leased real or personal property comprising Hawthorne Municipal Airport-Jack Northrop Field as now exists or as may hereafter be expanded and developed. "Airport" includes all of its facilities as shown on the most current airport layout plan.

Airport Access means the movement of an aircraft from the Subject Property to the Airport, and vice-versa

Airport Manager means the duly appointed manager of the Airport or the manager's designee.

Airport Traffic Control Tower means the control tower located at Hawthorne Municipal Airport-Jack Northrop Field.

Based Aircraft means an aircraft: (1) which the owner physically locates at the Subject Property with no present intention of definite and early removal and with the purpose to remain for an undetermined period; (2) which, whenever absent from the subject property, its owner intends to return to the Subject Property for permanent storage or parking; and (3) whose presence in the Subject Property is something other than merely transitory in nature.

Based Location means the location on the Airport or on the Subject Property which is listed as the aircraft hangar, shade or tie down location as registered with the Airport Manager.

Commercial Activity means the conduct of any aspect of a business, concession or service in order to provide goods or services to any person for compensation. An activity is considered commercial activity regardless of whether the business is for profit, nonprofit, charitable, or tax-exempt.

Effective Date means close of escrow for the Subject Property on November 16, 2009.

Owner of an aircraft means a person who holds legal title to an aircraft, or any person having exclusive possession of an aircraft pursuant to a written lease for a term of twelve (12) months or more.

Pedestrian means any person traveling on foot.

Permission means permission granted by the City.

Person means the state, county, a political subdivision of the state, federal agency, other governmental entity, a corporation, firm, partnership, association, organization, and any other group acting as a unit, as well as an individual. Person includes a trustee, receiver, assignee or similar representative.

Registered Aircraft means an aircraft owned, leased or operated by HHO, or its affiliates (entities controlled by HHO), lessees or an aircraft visiting HHO on the Subject Property, and which is registered with the Airport Manager.

Smoking means burning or carrying any lighted cigarette, tobacco or any other weed or plant, or placing any burning tobacco, weed or plant in an ashtray or other receptacle and allowing smoke to diffuse into the air.

Staging area means a paved, weight bearing surface for temporary aircraft storage, intended to allow aircraft to be removed from a hanger/shade or tie down and temporarily parked outside of the Taxilane Safety Area.

Taxilane means the portion of the Airport apron area, or any other area, authorized to be used for access between taxiways and aircraft parking and storage areas.

Taxilane Safety Area means a Taxilane on Airport property including an area 57.5 feet from either side of the centerline of a Taxilane.

Technical Specialist means a technical representative of an aircraft manufacturer, aircraft engine manufacturer, aircraft appliance or camera system manufacturer, or a non-destructive inspection specialist.

Vehicle means a device, except aircraft and aircraft support vehicles, in, upon, or by which any person or property is or may be propelled or moved, except a device moved by human power.

3. REGISTRATION OF AIRCRAFT

3.1 Airport Access

In exchange for HHO's compliance with the terms and provisions contained in this Agreement, and subject to the limitations and restrictions set forth herein, the City hereby grants Airport Access to Registered Aircraft. Prior to obtaining and in order to continue thereafter to conduct Airport Access, HHO shall:

- (a) Pay applicable City business license taxes.
- (b) Pay for and maintain (at HHO's expense) all necessary fencing, gating and hangar doors pursuant to applicable FAA guidelines and specifications.
- (c) Comply with any additional access parameters outlined in Section 11.1 below.

4. LIMITATIONS ON ACCESS

Airport Access is granted only during the Term of this Agreement. Airport Access may be cancelled upon breach or default (after notice and opportunity to cure pursuant to section 14.1) by HHO of any of the provisions of this Agreement, or by termination or expiration of this Agreement. Airport Access pursuant to this Agreement shall be non-exclusive.

HHO acknowledges, agrees, and understands that the City has leased portions of the Airport to Hawthorne Airport, LLC a Delaware limited liability company ("Ground Lessee") pursuant to that certain Ground Lease dated as of January 3, 2005 by and between City and Ground Lessee, as amended by that certain First Amendment to Ground Lease dated as of November 27, 2005 by and between City and that certain Second Amendment to Ground Lease dated as of June 13, 2006 by and between City and Ground Lessee (collectively, the "Ground Lease").

5. REVENUES

For the privilege of Airport Access, HHO anticipates that its activities will generate additional City revenue estimated as reflected in Exhibit "D" hereto. Actual revenues realized will not effect this Agreement.

6. COMPLIANCE WITH LAW

HHO shall comply with all applicable laws and regulations regarding their through-the-fence hangar operations, including but not limited to requirements concerning Aeronautical Activities or Commercial Aeronautical Activities as are set forth in federal (particularly, FAA) and state rules and regulations, City Airport Rules and Regulations (Chapter 10.80 of the Hawthorne Municipal Code), National Pollutant Discharge Elimination System under the Clean Water Act, and state and county fuel operating permits.

7. MINIMUM OPERATIONAL REQUIREMENTS FOR COMMERCIAL AERONAUTICAL ACTIVITIES

- 7.1 HHO shall comply with the Hawthorne Municipal Code, this Agreement and any other rules or regulations established by the City for the safe, orderly and efficient operation of Aeronautical Activities.
- 7.2 HHO shall employ or contract a sufficient number of trained, on-duty personnel to provide for the efficient, safe, orderly and proper compliance with its obligations under this Agreement. HHO shall control the conduct of its personnel and invitees and, upon prior written objection by the City to HHO specifying the improper conduct of any such person, HHO shall immediately take all lawful steps necessary to remedy the cause of the objection. HHO shall conduct its operations in a safe, orderly and efficient manner so as not to unreasonably disturb or endanger others.
- 7.3 HHO shall not do or permit to be done anything that may interfere with the effectiveness or accessibility of any public utility system, drainage system, sewer system, fire protection system, sprinkler system, alarm system, fire hydrant and hoses, and airport marking and lighting.

To the fullest extent permitted by law, HHO, its successors, assigns and guarantors, shall indemnify, defend, pay and hold the City, its agents, employees, officials, directors, officers, and representatives harmless from and against all claims, demands, charges, penalties, obligations, fines, administrative and judicial actions or proceedings, suits, liabilities, judgments, damages, losses, costs and expenses of any kind or nature (including, but not limited to, attorney fees and expenses, expert witness and consultant fees and expenses, arbitration fees, court costs and the cost of appellate proceedings) arising from Airport Access or use of the Airport or any of its facilities, or access to or use of Taxilanes or Taxilane Safety Areas, or from any other act or omission of HHO (and its employees, agents or anyone for whose acts or omissions HHO may be liable) including, without limitation, the discharge of any duties or the exercise of any rights or privileges pursuant to this Agreement or the minimum operating standards established hereunder. This paragraph applies, without limitation, to claims for personal injury, bodily injury, sickness, disease or death, and to claims for property damage (including City property), destruction or other impairment of every description (including, without limitation, loss of use), and to claims for environmental property damage (including, without limitation, cleanup, response, removal and remediation costs).

8. AIRCRAFT OPERATION

8.1 Qualifications to operate aircraft

Only HHO and its visitors operating aircraft in compliance with this Agreement shall operate said aircraft upon a Taxilane Safety Area, and/or conduct Airport Access.

8.2 Disabled aircraft

HHO shall be responsible for the prompt removal of disabled aircraft and parts thereof from a Taxilane Safety Area, unless required or directed by the Airport Manager or the FAA to delay such action pending an investigation of an accident. In the event of failure to promptly remove such disabled aircraft, the Airport Manager may cause the aircraft to be removed and bill the owners thereof for all charges incurred in the removal of same. The City shall not be responsible for damage to disabled aircraft removed by the owner, the pilot, the City or other persons.

8.3 Running of aircraft engines

Aircraft engines shall only be run at idle except as may be necessary for safe taxiing operations or minimal preflight testing. All engine run-ups for maintenance testing purposes shall be performed in accordance with the Airport Rules and Regulations (Chapter 10.80 of the Hawthorne Municipal Code.)

8.4 Exhaust and propeller blast

No aircraft engine shall be started or aircraft taxied in a Taxilane Safety Area or at any location where the exhaust or propeller blast may cause injury to persons or do damage to property or spread debris on a Taxilane Safety Area, aircraft parking and/or staging area.

8.5 Taxiing of aircraft

HHO shall not taxi without first taking all necessary precautions to prevent a collision with other aircraft, persons or objects. Aircraft shall not be taxied into or out of any hangar, shade, or other covered area. HHO shall not taxi an aircraft except on areas designated for taxiing and all taxiing shall be done in a safe manner. If it is impossible to taxi aircraft in compliance with this section, then the engine shall be shut off and the aircraft towed to the new location.

8.6 Advisory prior to taxiing

Prior to aircraft taxiing in a Taxilane Safety Area, during hours when the Airport Traffic Control Tower is in operation, aircraft operators on the Subject Property shall utilize ground control frequency 125.1 MHz to broadcast to the Airport Traffic Control Tower their intentions to access the Airport. Prior to aircraft taxiing in a Taxilane Safety Area, during hours when the Airport Traffic Control Tower is not in operation, aircraft operators shall utilize the common air traffic advisory frequency 121.1 MHz to broadcast their intentions and operate the pilot controlled lighting system as provided in the Aeronautical Information Manual (AIM) Official Guide to Basic Flight Information and ATC Procedures to access the airport.

8.7 Aircraft accident reports

Any HHO employee or visitor involved in an aircraft accident occurring in a Taxilane Safety Area shall make a full report thereof to the Airport Manager as soon after the accident as possible but in no event later than the time required for reporting the accident to the FAA or to any other governmental agency, or within forty-eight (48) hours of the accident, whichever is sooner. The report shall include the names and addresses of the persons involved, and a description of the accident and its cause.

When a written report of an accident is required by federal or state law, regulation, or agency, a copy of such report shall also be submitted to the Airport Manager.

8.8 Based Aircraft storage requirements

- (a) HHO aircraft shall only park at its Based Location;

9. VEHICLES

9.1 Vehicular Access

Vehicular access to the Airport by HHO shall be governed by the same guidelines that the City currently utilizes for vehicular access through its gates. HHO's vehicular access to the Airport shall thus be restricted to aircraft-support vehicles and vehicles registered as per city rules and regulations for tenant access onto airport property.

10. FUELING, FLAMMABLE FLUIDS, AND SAFETY

10.1 Fuel safety

Any transportation or handling of aircraft and vehicle fuel shall comply with the Uniform Fire Code, as amended, the National Fire Protection Association's codes and standards, as amended, FAA Advisory Circular 150/5230-4, as amended, all requirements of these provisions, and all other applicable laws.

10.2 Removal of gas, oil, grease, aircraft washing effluent

In the event of spillage or dripping of gasoline, oil, grease, aircraft washing effluent or any material which may be unsightly or detrimental to a Taxiway Safety Area by Registered Aircraft, the same shall be removed immediately. The responsibility for the immediate removal of such gasoline, oil, grease, aircraft washing effluent or other material shall be assumed by the operator or owner of the equipment causing the same or HHO.

10.3 Fire extinguishers.

- (a) HHO shall supply and maintain such adequate and readily accessible fire extinguishers as may be required by the City or fire department. Each fire extinguisher shall carry a suitable tag showing the date of most recent inspection.

- (b) At least two (2) fire extinguishers, each having a rating of at least 20-BC, shall be available for use in connection with the aircraft fuel handling operations.

11. GENERAL USE OF THE SUBJECT PROPERTY

11.1 Gate access code

HHO agrees (i) that the security perimeter for gate-guarded access (the "Airport Gate Access System") to those portions of the Airport which are adjacent to HHO property will be established at, and limited to, the vehicle and pedestrian openings on the south side of the main HHO hangar and for the east and west parking lots serving the main HHO hangar as shown on the attached (Exhibit "C") Facility Access Conceptual Site Plan, and (ii) to pay the costs of installation, maintenance, and the monthly operations fee for the Airport Gate Access System on the HHO Property.

11.2 Taxilane wingspan restrictions and indemnification

The City's Airport Manager recommends that HHO only operate aircraft in areas of the Taxilanes consistent with the wingspan restrictions as defined in applicable Taxilane standards. The City assumes no liability for any damage or loss resulting from aircraft operation in areas where aircraft wingspan exceeds the recommended maximum wingspan. Any such operation or resulting damage is solely at the risk of HHO, and HHO, as a condition of Airport Access, shall defend, indemnify and hold harmless the City from any damages or losses resulting from said operation.

11.3 Smoking areas

No smoking shall be permitted:

- (a) Within fifty (50) feet of aircraft, fuel trucks, and/or fuel storage areas.
- (b) Where specifically prohibited by the City.

11.4 Firearms, explosives, etc.

- (a) No person, except a sworn law enforcement officer, member of the Armed Forces of the United States on official duty, or persons holding a valid concealed carry weapons permit, shall possess any firearms in a Taxilane Safety Area, except firearms that do not contain live ammunition, are in an enclosed case, and

are intended for immediate transport out of the Taxilane Safety Area.

- (b) No person, except a sworn law enforcement officer or member of the Armed Forces of the United States on official duty, shall possess any explosives in a Taxilane Safety Area.
- (c) No person other than those in the above excepted classes, shall store, keep, handle, use, dispense or transport, at, in, or upon a Taxilane Safety Area any class A or class B explosives, any radioactive substance or material (except for minimum amounts of radioactive substances, such as radioactive paint illuminating instrument dials), without prior written authorization from the Airport Manager.

11.5 Waste containers and disposal

HHO, and its employees and visitors, shall dispose of all waste in the appropriate waste containers. Wastewater shall not be disposed of in storm water drainage or dirt/grass areas under any circumstances. Wastewater may be disposed of in sanitary sewer or sink drains, unless the wastewater contains petroleum or hazardous materials or hazardous waste. No petroleum products, industrial waste matter, batteries, or other hazardous material shall be dumped or otherwise disposed of except in accordance with local, county, state and federal law, including but not limited to, 42 U.S.C. § 6901, et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq., and the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601, et seq. Any hazardous waste shall be the responsibility of the originator under all applicable law.

11.6 Maintenance of property

- (a) HHO shall maintain the Subject Property in a condition of repair, cleanliness and general maintenance equal to or greater than the level of maintenance maintained by the City in comparable areas; at a minimum free of pavement lips or obstacles, vehicle ruts, excessive standing water, trees and other vegetation exceeding twelve (12) inches in height, and free from any and all conditions hazardous or potentially hazardous to aircraft.
- (b) Except in accordance with subsection (a), HHO shall not make any alterations to any Taxilane Safety Area or other property located in, on, under or about any Taxilane Safety Area without

prior notification to the Airport Manager and obtaining any other required City permits.

- (c) HHO agrees to maintain the designated tarmac area (formerly Northrop) – see Exhibit “E” – adjacent and north of the HHO facility to correct any normal wear and tear issues for a period of ten (10) years. In addition, HHO shall pay a fixed monthly rental fee of \$1,500 per month (\$18,000 annually) for ongoing rent to maintain control of that space. See Exhibit D. Access to the tarmac/ramp area will be limited by HHO, only allowing personnel necessary for flight and maintenance/movement operations. Security for the said tarmac area shall be governed by Section 11.13 (c) below.

11.7 Property damage, injurious or detrimental activities

HHO, and its employees or visitors, shall not destroy, deface, injure or disturb in any way a Taxilane Safety Area or conduct any activities that are injurious, detrimental or damaging to a Taxilane Safety Area.

11.8 Disorderly conduct, intoxicating liquors, etc.

HHO shall not commit, or nor cause to be committed, any disorderly, obscene or unlawful act or any nuisance in a Taxilane Safety Area. Nor shall any employee or visitor of HHO:

- (a) Drink any intoxicating liquor upon any portion of a Taxilane Safety Area.
- (b) Become intoxicated on any portion of a Taxilane Safety Area.
- (c) Loiter on or about a Taxilane Safety Area.

11.9 Commercial photography

HHO shall not take still, motion or sound pictures of or on a Taxilane Safety Area for commercial purposes without first receiving written approval from the Airport Manager.

11.10 Advertisements

HHO shall not post, distribute or display signs, advertisements, circulars, printed or written matter on a Taxilane Safety Area without written permission from the Airport Manager.

11.11 Animals.

HHO shall not allow its employees or visitors to enter a Taxilane Safety Area with a dog or other animal unless restrained by a leash or properly confined as determined by the Airport Manager.

11.12 Obstacles

- (a) With the exception of (b) below, no aircraft or other objects may be parked, temporarily stored or left standing on a Taxilane Safety Area.
- (b) If there is no staging area other than that located within a Taxilane Safety Area, aircraft may be temporarily stopped in the Taxilane Safety Area for no more than five (5) minutes (unless otherwise approved by the Airport Manager), if located as close to the building as safely possible, attended at all times and able to be immediately moved, and moved when necessary to allow aircraft to safely pass.

11.13 Airport security

- (a) HHO shall at all times maintain and comply with an airport facility security plan that has been approved by the Airport Manager.
- (b) HHO shall immediately report to the Airport Manager any operational failure of any of its access gates, or failure of any of the access gates to fully close.
- (c) HHO shall be responsible for its actions and all actions of any person to whom it provides access to the Subject Property, whether directly or indirectly, and HHO shall defend, indemnify and hold harmless the City from any damages or losses resulting there from, including any fines levied against the City by the FAA.

11.14 Access codes/devices

The Airport Manager shall provide the access code utilized by HHO for Airport Access. Only HHO shall use said code/device and shall not divulge, duplicate or otherwise distribute the same to any other person, unless said persons are authorized by HHO to operate the Based Aircraft, or are visitors operating aircraft in compliance with these provisions. Violation of this provision may result in the loss of access privileges.

11.15 Subject Property

HHO shall limit access from their property to the Taxilane Safety Area to Registered Aircraft, visiting aircraft and approved service vehicles.

11.16 Maintenance

Maintenance of aircraft on the Subject Property shall only be conducted by licensed and qualified service providers.

12. NO ASSIGNMENT OR SALE

HHO shall not have the right to sell, assign or transfer its interest under this Agreement as part of a contemporaneous and related sale, assignment or transfer of title to the Subject Property, or any portion thereof without prior approval of the City, which shall not be unreasonably withheld, conditioned or delayed, and the concurrence of the FAA. HHO and the City acknowledge and agree that it shall be considered unreasonable for the City to withhold such approval if the proposed assignee (i) can reasonably demonstrate that it has the financial ability and level of experience in airport operations sufficient to perform its obligations under this Agreement, and (ii) is of good character and reputation. Any sale, assignment or transfer without prior written consent of City as herein provided, whether it be voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of the City, terminate this Agreement. In the event of a sale, assignment, or transfer of HHO's interest under this Agreement, HHO shall not be responsible for and shall be deemed to be released from all obligations and liabilities arising under this Agreement from and after the date of such sale, assignment or transfer.

13. INSURANCE REQUIREMENTS

13.1 HHO shall at all times maintain in effect the following types and minimum amounts of insurance as applicable to the business to be conducted:

- (a) Commercial General Liability insurance in the amount of \$5,000,000 per occurrence and \$5,000,000 products-completed operations. If a commercial general liability insurance form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this Agreement, or the general aggregate limit shall be at least twice the required occurrence limit. Such insurance shall contain contractual liability insurance covering this Agreement. The Commercial General Liability insurance shall be considered primary insurance as respects the City, its elected or appointed officers, officials, employees, and agents. Any insurance maintained by

the City shall be considered excess insurance only and shall not contribute with the above insurance required of HHO.

- (b) Commercial/business automobile liability insurance for all owned, non-owned and hired vehicles assigned to or used in performance of commercial aeronautical activities in the amount of at least \$2,000,000 per occurrence.
- (c) Worker's compensation insurance as required by law and employers liability insurance in the amount of \$1,000,000 per accident, \$1,000,000 disease per person, \$1,000,000 disease policy limit.
- (d) Aircraft liability insurance in the amount of at least \$5,000,000 per occurrence.
- (e) All insurance policies cited herein shall contain a waiver of subrogation rights endorsement with respect to the City.

All insurance shall be in a form and from an insurance company with a Best's financial rating of at least B ++ 6. All policies, except worker's compensation policy, shall name the City and its elected or appointed officials, officers, representatives, agents and employees as "Additional Insureds," and the operator shall furnish to City a certificate of insurance evidencing the required coverage cited herein prior to engaging in any Commercial Aeronautical Activities. Such certificates shall provide for unequivocal thirty (30) day notice of cancellation or material change of any policy limits or conditions.

14. DEFAULT, REMEDIES, TERMINATION

14.1 Default for Nonpayment of Fees and Taxes under Section 3.1 (a).

HHO's failure to pay fees and taxes under section 3.1(a) shall constitute an event of default. Upon such default, City may upon thirty (30) days prior written notice to HHO terminate this Agreement and/or pursue immediately an action for money damages against HHO and any other remedy under applicable law.

14.2 Default in Performance of Provisions Other Than Section 3.1 (a).

Subject to extensions of time by mutual consent in writing, failure or unreasonable delay by either party to perform any term or provision other than section 3.1 of this Agreement shall constitute an event of default. In the event of default or breach of any term or condition other than section 3.1 of this Agreement, the party alleging such default or breach shall give the other party not less than thirty (30) days prior notice in writing specifying the nature of the alleged default and the manner in which said default may be satisfactorily cured. During any such thirty (30) day period, the party charged with being in default shall

not be considered in default for purposes of termination or institution of legal proceedings. After notice and expiration of the thirty (30) day period, if such default has not been cured or is not being diligently cured in the manner set forth in the notice, the other party to this Agreement may at its option:

- (a) Terminate this Agreement, in which event neither party shall have any further rights against or liability to the other with respect to this Agreement or the Subject Property; or
- (b) Institute legal or equitable action to cure, correct or remedy any default, including but not limited to an action for specific performance of the terms of this Agreement; provided, however, that in no event shall either party be liable to the other for money damages.

15. ENFORCED DELAY, EXTENSION OF TIMES OF PERFORMANCE

Except as to a default for nonpayment of taxes under section 3.1(a), performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, governmental entities' enactment of conflicting state or federal laws or regulations, new or supplementary environmental regulation, litigation or similar bases for excused performance. If written notice of such delay is given to the City within thirty (30) days of the commencement of such delay, an extension of time for such cause shall be granted in writing for the period of the enforced delay, or longer as may be mutually agreed upon.

16. LIMITATION OF LEGAL ACTS

In no event shall the City, or its officers, agents or employees, be liable in damages for any breach or violation of this Agreement, it being expressly understood and agreed that HHO's sole legal remedy for a breach or violation of this Agreement by the City shall be a legal action in mandamus, specific performance or other injunctive or declaratory relief to enforce the provisions of this Agreement.

17. APPLICABLE LAW AND ATTORNEYS' FEES

This Agreement shall be construed and enforced in accordance with the laws of the State of California. HHO acknowledges and agrees that the City has approved and entered into this Agreement in the sole exercise of its legislative discretion and that the standard of review of the validity or meaning of this Agreement shall be that accorded legislative acts of the City. Should any legal action be brought by a party for breach of this Agreement or to enforce any provision herein, the prevailing party of such action shall be entitled to

reasonable attorneys' fees, court costs and such other costs as may be fixed by the Court.

18. NOTICES

All notices required by this Agreement shall be in writing and delivered in person or sent by certified mail, postage prepaid, to the addresses of the parties as set forth below.

Notices required to be given to the City shall be addressed as follows:

City of Hawthorne
4455 W. 126th Street
Hawthorne, California 90250
Attention: Arnold Shadbach, Public Works Director

Notices required to be given to HHO shall be addressed as follows:

Hawthorne Hangar Operations, LLC
319 Main Street
El Segundo, CA 90245
And
39 East Walnut Street
Pasadena, CA 91103

19. AMENDMENTS TO THIS AGREEMENT

The City and HHO agree to mutually consider reasonable requests for amendments to this Agreement provided such requests are consistent with this Agreement and would not substantially alter the basic business terms included herein. Such amendments shall be in the form of a written document executed by both parties and approved as to form by the City Attorney and the FAA.

20. ENTIRE AGREEMENT

This Agreement is executed in two (2) duplicate originals, each of which is deemed to be an original. This Agreement consists of TWENTY-THREE (23) pages and [5] exhibits which constitute the entire understanding and agreement of the parties. Said exhibits are identified as follows:

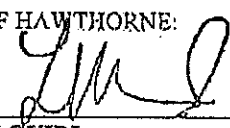
Exhibit "A": Map of Airport
Exhibit "B": Map of Northrop/Legal Description
Exhibit "C": Gate Access
Exhibit "D": Additional Revenues
Exhibit "E": Tarmac Rental Area

21. RECORDATION


21.1 Memorandum of Agreement

Upon the request of either party, the City and HHO shall execute a memorandum of this Agreement or any amendments or modification thereof for recordation in the official records of the County Recorder of Los Angeles County, California.

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

CITY OF HAWTHORNE:


LARRY GUIDI
Mayor
City of Hawthorne

HAWTHORNE OPERATIONS, LLC
By: 

DAVID WEHRLY
Title: MANAGER

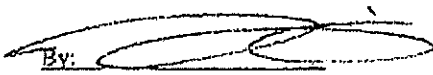
The undersigned acknowledges receipt of a copy of the foregoing Agreement; confirms that it is the lessee of portions of the Hawthorne Airport under a 45 year lease with the City of Hawthorne; that it understands, affirms and consents to the provisions of the foregoing Agreement.

APPROVED AS TO FORM:

November, 2009 Hawthorne Airport, LLC




RUSSEL I. MIYAHARA
Acting City Attorney
City of Hawthorne

By: 

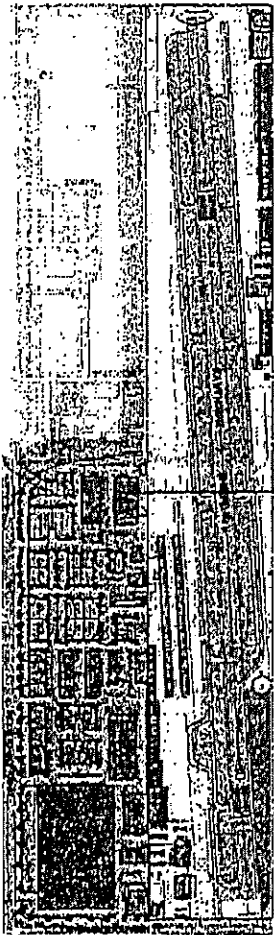
HOONIE S. KANG
Title: VICE PRESIDENT

ATTEST:



ANGIE REYNOLDS ENGLISH
City Clerk
City of Hawthorne

Exhibit "A"

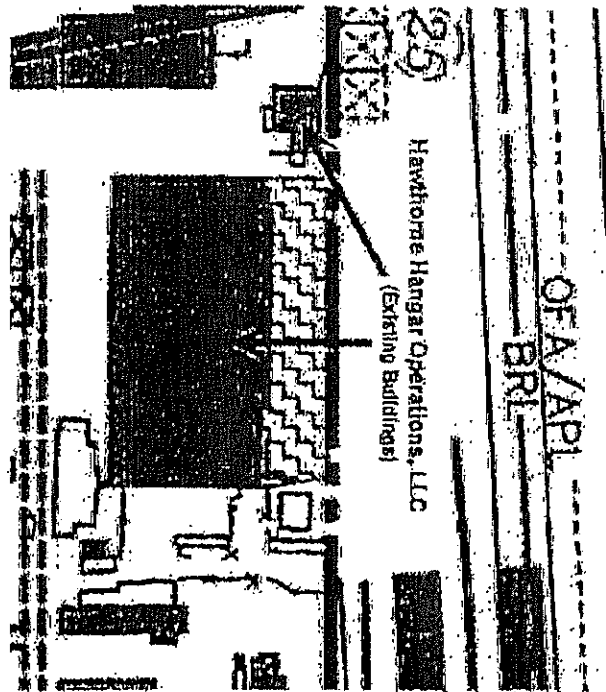


Subject Property

Exhibit "B"

LOT 1 OF TRACT NO. 85804-01, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK 1351, PAGES 1 THROUGH 8 INCLUSIVE OF MAPS, RECORDS OF SAID COUNTY.

AND ALSO EXCEPT THEREFROM ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES IN AND UNDER SAID LAND AS RESERVED BY VARIOUS DEEDS OF RECORDS.



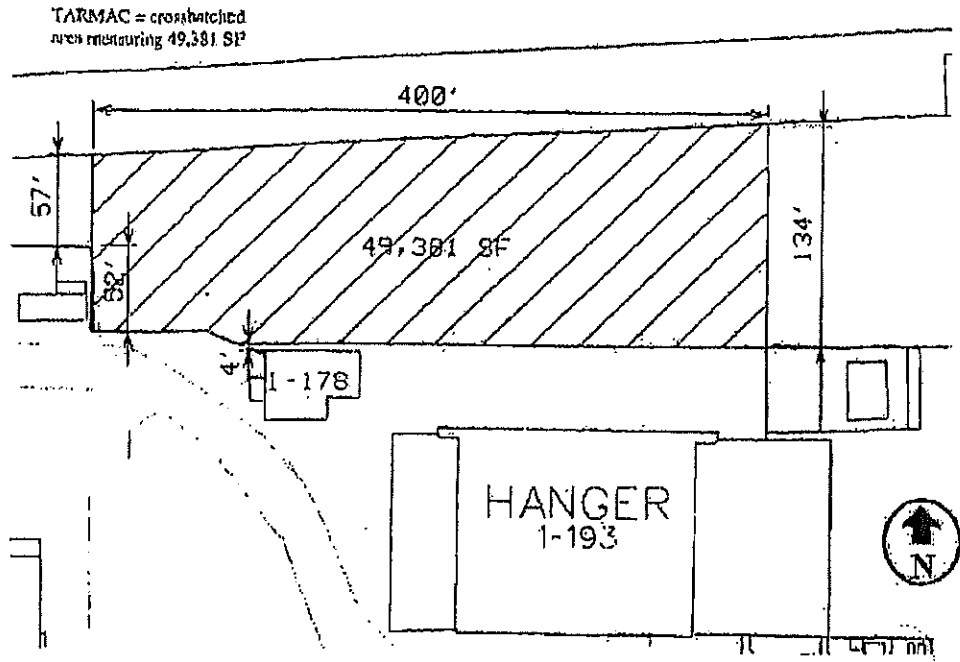
Enlarged Portion of the FAA and City
Approved Airport Layout Plan - March 2009

Exhibit "D"

Type	Per gallon	Gallons/year	Annual Income
Fuel flowage fees	\$ 0.05	300,000	\$ 15,000
		Exhibit "E"	
Tarmac rental fee		49,381	\$ 18,000
Personal Property taxes*			\$ 43,700
(estimated at .1 percent of the \$43.7m below)			
			\$ 76,700

Year	Type aircraft	Appraised Value
2000	1 Falcon 900	\$ 25,000,000
2001	Lear 60	\$ 5,000,000
2008	MD Helicopter	\$ 500,000
2003	King Air 350	\$ 3,500,000
2002	King Air 350	\$ 3,200,000
2001	Augusta 109E Helicopter	\$ 3,100,000
1987	Lear 31A	\$ 3,400,000
		\$ 43,700,000

Exhibit "E"



General Assignment of Contracts, Intangibles, and Warranties

This GENERAL ASSIGNMENT OF CONTRACTS, INTANGIBLES AND WARRANTIES ("Assignment") is made as of November 12, 2009, between MS Kearny Northrop Avenue, LLC, a Delaware limited liability company ("Assignor"), and Hawthorne Hanger Operations, L.P., a California limited partnership ("Assignee").

RECITALS

A. Assignor and Assignee are parties to that certain Purchase and Sale Agreement dated as of November 12, 2009 (as thereafter amended, the "Purchase Agreement"), pursuant to which Assignee has agreed to purchase from Assignor, among other things, all of Assignor's right, title and interest in and to certain real property more particularly described therein (the "Real Property"), and to the extent assignable to Assignee without any cost to Assignor, all of Assignor's right, title and interest in and to the contracts, leases and agreements listed on Exhibit A hereto (the "Contracts"), Intangibles (as hereinafter defined) and to the extent relating only to the Real Property and improvements thereon, those warranties listed on Exhibit A hereto (the "Warranties"). For purposes hereof, "Intangibles" means, collectively, Assignor's right, title and interest, if any, in and to the following, to the extent assignable to Assignee without any cost to Assignor: (i) rights, privileges, tenements, hereditaments, rights-of-way, easements, appurtenances, mineral rights, development rights, air rights and riparian or littoral rights to the extent belonging or appertaining solely to the Real Property, (ii) licenses, permits and approvals, if any, to the extent affecting or pertaining solely to the Real Property, (iii) warranties, if any, to the extent affecting or pertaining solely to the Real Property, and (iv) other intangible assets, if any, of any nature to the extent relating solely to the Real Property. Unless otherwise expressly provided herein, capitalized terms used in this Assignment shall have the meaning ascribed to such terms in the Purchase Agreement.

B. This Assignment is made pursuant to, and is therefore subject to the terms of, the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignment of Warranties, Contracts and Intangibles. Assignor hereby assigns, transfers, sets over and delivers to Assignee, to the extent assignable to Assignee without any cost to Assignor, all of Assignor's right, title and interest, if any, in and to the Warranties, Contracts and Intangibles. Assignor makes no representation or warranty of any kind to Assignee with respect to the Warranties, Contracts and Intangibles, other than as may expressly be set forth in the Purchase Agreement.

2. Assumption of Obligations. By execution of this Assignment, Assignee hereby accepts the assignment made by Assignor under Section 1 hereof and hereby assumes and agrees to perform and to be bound by all of the terms, covenants, conditions and obligations imposed upon the holder of Assignor's position under and in the Warranties, Contracts and Intangibles. Assignee hereby agrees to indemnify and hold harmless Assignor with respect to any liabilities and obligations which are required to be performed on or after the date hereof with

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respect to the Warranties, Contracts and Intangibles. Assignor hereby agrees to indemnify and hold harmless Assignee with respect to any liabilities and obligations which were required to be performed prior to the date hereof with respect to the Warranties, Contracts and Intangibles

3. Governing Law. This Assignment shall be governed by the laws of the State of California.

4. Binding Effect. This Assignment and the provisions contained herein shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

5. Attorneys' Fees. In the event of any legal action (including, but not limited to, appellate and bankruptcy proceedings) between or with respect to Assignor and/or Assignee arising out of or in connection with this Assignment, the prevailing party shall be entitled to recover from the other party reasonable attorneys' fees and costs of suit.

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

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

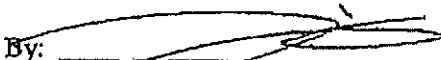
ASSIGNOR:

MS Kearny Northrop Avenue, LLC,
a Delaware limited liability company

By: _____

Name: _____

Title: _____


Name: HOWARD KAMB
Title: VICE PRESIDENT

ASSIGNEE:

Hawthorne Hanger Operations, L.P.,
a California limited partnership

By: Hawthorne Hanger Management, LLC,
a California limited liability company as its
General Partner

By: _____

Dan Wolfe, a General Manager

By: Wedgwood Enterprise Corporation,
a California corporation as a General
Manager

By: _____

David Wehrly, Vice President

agrees to perform and to be bound by all of the terms, covenants, conditions and obligations imposed upon the holder of Assignor's position under and in the Warranties, Contracts and Intangibles. Assignee hereby agrees to indemnify and hold harmless Assignor with respect to any liabilities and obligations which are required to be performed on or after the date hereof with respect to the Warranties, Contracts and Intangibles. Assignor hereby agrees to indemnify and hold harmless Assignee with respect to any liabilities and obligations which were required to be performed prior to the date hereof with respect to the Warranties, Contracts and Intangibles

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ASSIGNOR:

MS Kearny Northrop Avenue, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

ASSIGNEE:

Hawthorne Hanger Operations, L.P.,
a California limited partnership

By: Hawthorne Hanger Management, LLC,
a California limited liability company as its
General Partner

By: _____
Dan Wolfe, a General Manager

By: Wedgewood Enterprise Corporation,
a California corporation as a General
Manager

By: 
David Wehrly, Vice President

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Exhibit A
to
General Assignment of Contracts, Intangibles and Warranties

1. **Contracts: NONE**

2. **Warranties: NONE**

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