

LONG TERM GROUND LEASE AGREEMENT FOR HANGAR CONSTRUCTION
AND AIRCRAFT STORAGE
LOMPOC AIRPORT

This Lease Agreement is made by and between the City of Lompoc, a California municipal corporation ("City") and Warner Subsea Engineering Inc. ("Lessee") on May 16, 2006.

RECITALS

WHEREAS, City owns and operates an airport commonly known as the Lompoc Airport, hereinafter referred to as "Airport"; and

WHEREAS, Lessee desires to lease a portion of Airport for the purpose of building and maintaining an aircraft storage hangar; and

WHEREAS, Lessee has read and understands the rules and regulations that apply to the Lompoc Airport;

NOW, THEREFORE, incorporating the foregoing Recitals herein, it is mutually agreed as follows:

1. Premises. City hereby leases to Lessee, and Lessee hereby hires from City, upon the terms and conditions herein set forth, those certain premises located at the Lompoc Airport in the City of Lompoc ("the Premises"), comprising 1,200 square feet, and more particularly identified as outlined on Exhibit A attached hereto and made a part hereof by this reference. Lessee shall, prior to September 30, 2006, provide a map and legal description (8 ½ X 11), of the developed property, tied to the City of Lompoc coordinate control system, Record of Survey Book 172, pages 4 through 7, prepared and stamped by a licensed land surveyor. The map shall be delivered in hardcopy and computer format for transfer to the City geographic information system. Acceptable forms are: DGN, DWG and DXF. At the time Lessee takes possession of the Premises, they will be unimproved. All oil, gas and mineral rights are expressly reserved from this Lease Agreement.

2. Term. The term of this Lease Agreement shall be for a period of Twenty (20) years commencing on the first day of June 2006 and terminating on the last day of May 2026 unless sooner terminated as provided in this Lease Agreement.

A. Lessee shall have the option, between January 1, 2026 and February 25, 2026, to renew this Lease Agreement for one additional ten-year term.

3. Use of Premises.

A. Lessee shall use the Premises solely for the purpose of the storage of an aircraft. Lessee further agrees that any activity, including but not limited to, repair and maintenance of aircraft in the storage area which violates Fire Codes, causes structural or other damage to Airport property including surfaces, or detracts from a clean and orderly appearance of the Airport or storage space is prohibited. Lessee agrees to limit all repair, maintenance, installation or other aeronautical activity service performed on the aircraft to the extent permitted by FAA regulations.

B. Lessee shall store and keep an airworthy aircraft in the hangar (that has a current annual inspection certificate or deemed airworthy by the Aviation/Transportation Administrator) owned by Lessee and its associated parts.

C. Lessee agrees to notify City in writing within ten (10) days of Aircraft substitution, change in Aircraft ownership, and changes of Lessee's and other registered owners addresses and telephone numbers.

4. Construction of Improvements.

A. Lessee shall move, at his expense, his hangar to a location, approved by the Aviation/Transportation Administrator, no later than May 30, 2006. Lessee shall secure hangar at that location per requirements of the City Engineer pending City's' approvals of Lessees required building and/or development plans, but for a period not to exceed (6) months.

B. Lessee shall complete construction, at his sole cost and expense, except as provided herein, of an aircraft storage hangar, as approved by City, on the leased Premises within six (6) months of the date of this Lease Agreement. Utilities will be provided by the Lessee. Evidence of completion shall be the issuance of a certificate of occupancy from City. Lessee shall be responsible for obtaining, at his sole cost and expense, all permits of any kind required by law, including payment of utility and development impact fees and retrofit fees. City shall have the

right to control the type of construction, architectural style, size and color of any improvements. Prior to developing final working plans the Lessee shall submit preliminary plans to the Engineering Division for review and comment. City shall review said plans and advise Lessee of any deficiencies. Lessee shall then make the necessary changes, if any, required for City's approval. Prior to construction Lessee shall submit to City evidence satisfactory to City that Lessee has sufficient funds to complete construction and deliver to City the written approval of the plans and specifications by any financial institution (if any) that shall have made any commitment for financing the construction. After these conditions have been satisfied City shall notify Lessee in writing that he may proceed with construction. If Lessee commences construction without City's written consent, Lessee shall be in violation of this Lease Agreement, and City, at its option, may terminate this Lease Agreement. In the event Lessee fails to complete construction within six (6) months as evidenced by the issuance of a certificate of occupancy, City may, at City's sole discretion, terminate this Lease Agreement and Lessee shall forfeit all rights and interest to the Premises.

C. Completion Bond. Before any major work of construction, alteration or repair is commenced on the Premises, the Lessee shall furnish City a completion bond from a responsible surety company, licensed to do business in California, in an amount not less than the cost of the improvements to be constructed, and which shall remain in effect until the entire cost of the work shall have been paid in full and the new improvements shall have been insured as provided in this Lease Agreement. The bond shall state the following:

D. Surety for Performance and Payment: Before any major work of construction, alteration or repair is commenced on the premises, the Lessee will furnish City adequate surety for performance and payment in a form acceptable to the City Finance Director, in an amount not less than the cost of the improvements to be constructed, and which will remain in effect until the entire cost of the work has been paid in full and the new improvements have been insured as provided in this Lease Agreement. The surety will state the following:

(i) That it is conditioned to secure the completion of the proposed construction free from all liens and claims of contractors, subcontractors, mechanics, laborers and materialmen for nine (9) months following the commencement of construction;

(ii) That the construction work shall be effected by Lessee, the general contractor, or, on their default, the surety;

(iii) That in default of such completion and payment, such part of the amount of the bond as shall be required to complete the work shall be paid to City as liquidated and agreed damages for the non-performance of Lessee's agreements, it being agreed that the exact amount of City's damages is difficult and impractical to ascertain; and

(iv) That the surety will defend and indemnify City against all loss, cost, damage, expense and liability arising out of or connected with the work of improvement.

City may, but shall not unreasonably, disapprove the bond. The bond shall be deemed approved unless notice of disapproval is given within thirty (30) working days after receipt of the proposed bond.

E. Builder's Risk Insurance. Notwithstanding any other insurance requirements contained in this Lease Agreement, Lessee shall also deliver to City a certificate of insurance evidencing coverage for "builder's risk" insurance. Lessee shall defend and indemnify the City against all liability and loss of any type arising out of the work performed on the leased Premises by the Lessee or Lessee's contractors and subcontractors, together with reasonable attorneys' fees and all costs and expenses incurred by City in negotiating, settling, defending, or otherwise protecting against such claims.

5. Unobstructed Access. City shall ensure a taxiway exists directly in front of Lessee's hangar doorway. Said taxiway shall allow unobstructed access to the south side parallel taxiway. If the taxiway ceases to permanently exist as a result of the direct action of the City, City agrees to purchase the subject hangar. Such purchase shall be for an amount based on an independent appraisal, (appraiser to be agreed upon by both parties, cost of appraisal to be shared by both parties equally) to be completed prior to any obstruction being created. City's obligation under this paragraph is subject to its receiving notice from Lessee within thirty (30) days of the obstruction of the access or other event giving rise to its purchase obligation. If no such notice is given by Lessee, all terms and conditions of this Lease Agreement shall remain in full force and effect.

6. Rent. Lessee agrees to pay to City at 100 Civic Center Plaza, Lompoc, California, as rent for the use and occupancy of the Premises, the amounts as hereinafter provided during the term of this Lease Agreement. Partial months shall not be prorated. Rent is due on the first day of each month while this Lease Agreement is in effect.

A. Initial Rent. Monthly rent for and during the first month of the term of this Lease Agreement shall be at the rate \$96.00 per month, (8 cents per square foot per month) and shall commence on the commencement date of the Lease Agreement term, and continuing on the first day of each calendar month thereafter.

B. Rent Adjustments. A new monthly rent shall be determined based upon the following adjustment:

(I) For the purpose of this adjustment, the basic index to be used for adjusting the rent shall be the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers U.S. City Average published by the U.S. Department of Labor, Bureau of Labor Statistics for the month of or nearest April 1st of each year.

(II) Effective each July 1st during the term of this Lease Agreement, the monthly rent shall be increased five (5) percent, or by the then current basic index (CPI) as defined in paragraph (I), plus one (1) percent, whichever is highest.

(III) In the event that the basic index (CPI) decreases to the point of reflecting a negative figure for that year, the rental rate shall not change.

(IV) If the foregoing index is at any time no longer available, then a comparable economic indicator shall be used to determine the annual rent adjustment.

7. Late Charges. Rent payments, and other costs and charges authorized hereunder, not received by City by the tenth day of the month when due are subject to a late penalty, without notice to Lessee, of 15 percent (15%) per month.

8. Costs of Lease Agreement. Lessee shall promptly pay all costs and expenses, including utilities (Utilities include, but are not limited to, gas, electricity, telephone, water, sewer and refuse collection services). Lessee also agrees to reimburse City

for any and all expenses that City incurs in modifying existing utilities for Lessees benefit relating to possession and use of the Premises. The possessory interest created by this Lease Agreement may be subject to taxation, and Lessee may be subject to the payment of taxes levied on such interest. Lessee acknowledges his actual knowledge of the existence of a possessory interest tax and receipt of this notice of Lessee's potential tax liability. Lessee agrees that he is solely responsible for the timely payment before delinquency of possessory interest taxes and any other tax, levy or assessment upon the Premises, the aircraft, Lessee's personal property, improvements, and fixtures upon the Premises.

9. Aircraft Lien. Lessee consents and agrees that City may levy a lien against Lessee's aircraft, improvements, fixtures, and personal property upon the Premises. Such lien shall exist and continue to secure all unpaid amounts which Lessee owes to City. Such lien shall not relieve Lessee from compliance with this Lease Agreement, including the obligation to pay rent as provided herein.

If Lessee does not fully and immediately discharge all unpaid amounts, City is hereby granted and shall have the right to take and recover possession of Lessee's aircraft, improvements, fixtures, and to satisfy City's lien in accordance with California Code of Civil Procedure Sections 1208.61 through 1208.70 and any other applicable common laws or statutory provisions. City may also take and recover possession of personal property stored on the Premises and exercise its lien against the same without notice or other action, and in addition thereto, City shall have and recover all costs and expenses including attorneys' fees in connection with repossession and disposal of the aircraft, improvements, fixtures, and personal property and enforcement of City's lien.

10. Condition of Premises.

A. Lessee has inspected the Premises and knows the extent and condition thereof and accepts same in its present condition, subject to and including all defects, latent or patent.

Lessee will keep and maintain the Premises, improvements, and fixtures in a clean, safe, and orderly condition at all times. Lessee shall not commit or suffer to be committed any waste upon the Premises, improvements, and fixtures or commit or allow any nuisance or other act which may disturb or interfere with the Airport, its surroundings, the departure and arrival of aircraft, or other aircraft operations and uses. If Lessee shall fail to perform the obligations under this paragraph, after 21 days written notice setting forth such failure, City shall have the right to

perform the same and to charge Lessee therefore, and Lessee shall pay the City such costs upon City's demand.

B. Lessee may, temporarily park passenger vehicles on Lessee's assigned Premises. Conditions may arise when it becomes necessary for City to withdraw, the privilege of parking motor vehicles on the assigned Premises.

Neither Lessee nor any other person shall park or keep any motor home, trailer, boat, or other recreational or commercial vehicle, vehicle for sale or inoperable vehicle on the assigned Premises without City's' advance written consent of the Aviation/Transportation Administrator.

C. If Lessee desires to use the services of another person in connection with any aircraft work or repair other than at established repair facilities at the Airport, City requires such persons to provide their names, addresses, evidence of adequate liability insurance, payment of any required business fees, and proof of City business license; and, lacking such information, such persons will be refused permission to conduct the work or ordered to stop work. This shall not limit an aircraft owner's or pilot's right to work on his or her own aircraft as permitted by the Federal Aviation Regulations in areas of the Airport so designated by City.

D. Lessee shall not use, keep, store or place in or on the Premises any petroleum products or any materials that are in any way hazardous, toxic, radioactive or explosive, except those which are necessary and appropriate to accomplish the purpose of this Lease Agreement. All such materials shall be used, stored, handled, dispensed and disposed of as required by applicable governmental regulations and laws. Any spills of such materials by Lessee anywhere on the Airport shall be immediately reported to the Aviation/Transportation Administrator and cleaned up by Lessee, at Lessee's sole expense, in accordance with standards of the industry and applicable governmental regulations and laws.

E. Lessee shall not construct or place signs, awnings, marquees, advertising, or promotional structures upon the Premises or Airport. If Lessee fails to remove any such signs, displays, advertisements or decorations within twenty-four (24) hours after written notice from City, then City may remove them at Lessee's sole expense.

F. Lessee hereby agrees that Lessee will not permit or suffer any liens of any kind to be filed against the Premises as a result of any obligation, malfeasance, negligence, or omission of Lessee, and that Lessee shall diligently take all necessary and proper steps to remove and discharge any liens which are filed.

11. Alterations. Lessee shall not alter the Premises without City's prior written consent except as herein set forth. Should City so consent, alterations shall be made at the sole cost and expense of Lessee.

12. Insurance. Lessee shall not store his hangar on the Airport, occupy the Premises or operate any aircraft before obtaining the insurance specified below. Insurance amounts may be adjusted annually by the City Administrator.

A. Personal Injury. During the term of this Lease Agreement, Lessee shall continuously maintain an insurance policy providing for liability insurance in amounts of not less than \$1,000,000 per occurrence for death and personal injury.

B. Aircraft Liability. For each licensed aircraft, Lessee shall maintain during the life of this Lease Agreement, at his sole expense, at least the following insurance coverage: bodily injury, including passengers, \$100,000 each person; \$500,000 property damage; and \$1,000,000 each occurrence.

C. Personal Property. Lessee understands and agrees that it is Lessee's sole responsibility to obtain insurance covering Lessee's aircraft and other personal property which is located on the Premises. Notwithstanding any provision to the contrary, Lessee specifically waives any claim against City for theft, loss, or damage of any kind or from any source whatever, that may occur to Lessee's aircraft or personal property located on the Premises, at the Airport, and in its vicinity.

D. Fire and Extended Coverage Insurance. Throughout the term, at Lessee's sole cost and expense, Lessee shall keep or cause to be kept insured, for the mutual benefit of City and Lessee, all improvements located on or appurtenant to the Premises, whether constructed at the time of signing this Lease Agreement or not, against loss or damage by fire and such other risks as are now or hereafter included in an extended coverage endorsement in common use of structures, including vandalism and malicious mischief. The amount of the insurance shall be sufficient to prevent either Lessee or City from becoming a co-insurer under the provisions of the policies, but in no event shall the amount be less than one

hundred percent (100%) of the actual replacement cost, including the cost of replacing excavations and foundations, but without deduction for depreciation (herein called full insurable value). In the event payments are made for repairs, payments of proceeds for repair, restoration, or reconstruction of improvements shall be made monthly on architect's certificates until the work is completed and accepted. Any insurance proceeds remaining after complying with the provisions of this Lease Agreement relating to maintenance, repair, and reconstruction of improvements shall be the Lessee's sole property.

E. Documentation. Lessee shall present to City a certificate evidencing the required coverage, naming the City of Lompoc as additional insured. All insurance required by express provisions of this Lease Agreement shall be carried only in responsible insurance companies licensed to do business in the State of California. All such policies shall be non-assessable and shall contain language, to the extent obtainable, to the effect that (1) any loss shall be payable notwithstanding any act or negligence of City that might otherwise result in failure of the insurance, (2) insurer waives the right of subrogation against City and against City's agents and representatives, (3) the policies are primary and non-contributing with any insurance that may be carried by City, and (4) the policies cannot be canceled or materially changed except after thirty (30) days notice by the insurer to City. Lessee shall furnish City with copies of all such policies upon their receipt.

13. Release and Indemnification. Lessee hereby agrees to indemnify City against and save City harmless from all costs and expenses, including attorney's fees, and all liability, claims and demands of Lessee and others for loss of or damage to property or bodily injury or death which may arise directly or indirectly from this Lease Agreement.

14. Right of Entry. Lessee shall permit City's authorized agents the right and privilege, at all times, of entering the Premises for the purposes of inspection, determining whether the terms of this Lease Agreement are being kept and performed, and posting notices of nonresponsibility.

15. Default or Breach. Should Lessee (a) fail to pay or cause to be paid any tax, assessment, insurance premium, lien, claim, charge, or demand herein provided to be paid or caused to be paid by Lessee at all times and in the manner herein provided; or (b) default in the payment of any installment of rent or any other

sum when due and provided; or (c) fail to commence or to complete the construction, repair, restoration, or replacement of the hangar and any other improvements in and about the Premises within the times and in the manners herein provided; or (d) fails to use, maintain, and operate the Premises as herein required, or abandon the property; or (e) default in the performance of or breach of any other covenant, condition, or restriction of this Lease Agreement herein provided to be kept or performed by Lessee; the City shall give written notice to remedy such default or breach. If the default or breach is remedied within thirty (30) days following such notice, then this Lease Agreement shall continue in full force and effect. If such default or breach is not remedied within thirty (30) days following such notice, the City may, at its option, terminate this Lease Agreement, and, in addition to all of the remedies, the City may re-enter and re-lease the Premises, and all improvements shall become the sole property of City. Upon termination, all subleases, at the option of City, shall terminate.

Such termination shall not waive any remedy available to either party because of such default or breach. Each term and condition of this Lease Agreement shall be deemed to be both a covenant and a condition. Upon default or breach by Lessee, City may, in addition to all other remedies available in law or equity, recover all damages proximately resulting from the breach or default, including, but not limited to, the cost of recovering the Premises, attorneys' fees, and the total balance of lease payments due under this Lease Agreement for the remainder of the Lease Agreement term, which sum shall be immediately due City from Lessee.

Appointments of a receiver to take possession of Lessee's assets, Lessee's general assignment for the benefit of creditors, Lessee's insolvency, and Lessee's taking or suffering action under the Bankruptcy Act are breaches of this Lease Agreement. Upon any such event, City shall have the option to terminate this Lease Agreement or to require that Lessee provide additional security by means of a cash security deposit, advance rental payments, or such other action as City deems prudent to protect the Premises and the public fisc.

16. Surrender of Premises. On the last day of the term of this Lease Agreement, or any sooner termination, Lessee shall peaceably and quietly leave, surrender and yield to the City the Premises and improvements in as good condition and repair as at the commencement of Lessee's occupancy. Lessee shall leave the Premises free from all debris and rubbish and shall restore the Premises to a condition satisfactory to City.

17. Assignment/Subletting. Neither this Lease Agreement nor any interest herein shall be assigned, either voluntarily or involuntarily, by Lessee, or by operation of law or otherwise, nor shall the Property, or any part thereof, be sublet by Lessee without the prior written consent of City. In addition to the agreed rent, Lessee shall remit to City 30% of all rents generated by any sublease, and such sublease shall be subject to such other conditions as may be imposed by City. Any such assignment or sublease without such prior written consent of City shall be void. City shall have the right to assign or transfer this Lease Agreement or any rights in or to it. Lessee agrees that failure to maintain the required insurance, or to cause the breach of any clause in this Lease Agreement, or to fail to abide by any Airport rule or regulation, shall be deemed a material breach of this Lease Agreement.

18. Destruction of Premises. If the Premises are damaged or destroyed by earthquake or other act of God so as to render them unfit for occupancy, except as caused by Lessee, Lessee may terminate this Lease Agreement at his option; but should Lessee elect to reconstruct said Premises it shall do so within six (6) months from the date of destruction.

19. Security. City does not warrant the security of Lessee's property at the Airport, including but not limited to aircraft, fuels, tools, vehicles and related ground equipment.

20. Sole Agreement; Amendments. This Lease Agreement constitutes the sole and final agreement between City and Lessee respecting the lease of the Premises. No prior agreement or understanding pertaining to lease of the Premises is effective. This Lease Agreement may be modified only by a writing signed by the parties.

21. Binding on Successors. This Lease Agreement and each of its provisions shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, trustees, successors, and assigns of the parties.

22. Waiver. City's waiver of breach of any provision of this Lease Agreement shall not be treated as a continuing waiver of such provision or as a waiver of any future breach of the same or other provision of the Lease Agreement. City's acceptance of rent shall not be treated as a waiver of Lessee's previous breach of any

provision of this Agreement. No custom or practice which may arise or develop between the parties in the course of the term of this Lease Agreement shall be construed to waive or diminish City's right to insist upon Lessee's performance of all terms, covenants, and conditions hereof, or to pursue any rights and remedies City may have if Lessee defaults in performance of this Lease Agreement.

23. General. If any term or provision of this Lease Agreement or any application thereof shall be invalid or unenforceable, the remainder of this Lease Agreement and any other application of its terms or provisions shall not be affected thereby. The captions of this Lease Agreement are for the convenience of reference only and shall not define or limit any of the Lease Agreement's terms and provisions. The relationship created by this Lease Agreement is one of landlord-tenant. This Lease Agreement is not intended to create a joint venture or any relationship other than landlord-tenant.

Lessee's use of the Premises shall at all times fully comply with this Lease Agreement, Lompoc City Code Chapter 3, all applicable federal, state and local laws and regulations, and all signs and lawful instructions of Airport staff. In utilizing the Premises, Lessee shall not discriminate against any person or class of persons by reason of race, color, creed, sex, religion or national origin. Lessee is subject to the provisions of Part 15 of the Federal Aviation Regulations and any amendments thereto which are incorporated herein by this reference. Lessee acknowledges that he has read the Lompoc Airport Ordinance and agrees to abide by all of the Airport rules and regulations.

This Lease Agreement shall not be deemed to grant the exclusive right of any Airport use forbidden by Section 308 of the Federal Aviation Act of 1958, any other federal statute or regulation, or state or local law or other directive.

24. Attorneys' Fees. In any action or proceeding by either party to enforce this Lease Agreement or any provision thereof, the prevailing party shall be entitled to all costs incurred and to reasonable attorneys, fees.

25. Notices. Any notice required by law or pursuant to this Lease Agreement shall be deemed to be fully given when written and dispatched by registered mail, return receipt requested, postage prepaid, to the parties at the addresses below. Notices shall be deemed served on the date of postmark.

CITY OF LOMPOC

LESSEE

Attn: Aviation/Transportation
100 Civic Center Plaza
P.O. Box 8001
Lompoc, CA 93438-8001

Warner Subsea Engineering Inc.
606 Cowles Rd.
Santa Barbara, CA 93108

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

APPROVED AS TO FORM:

CITY OF LOMPOC



Sharon Stuart
City Attorney

By _____
Title _____

ATTEST:

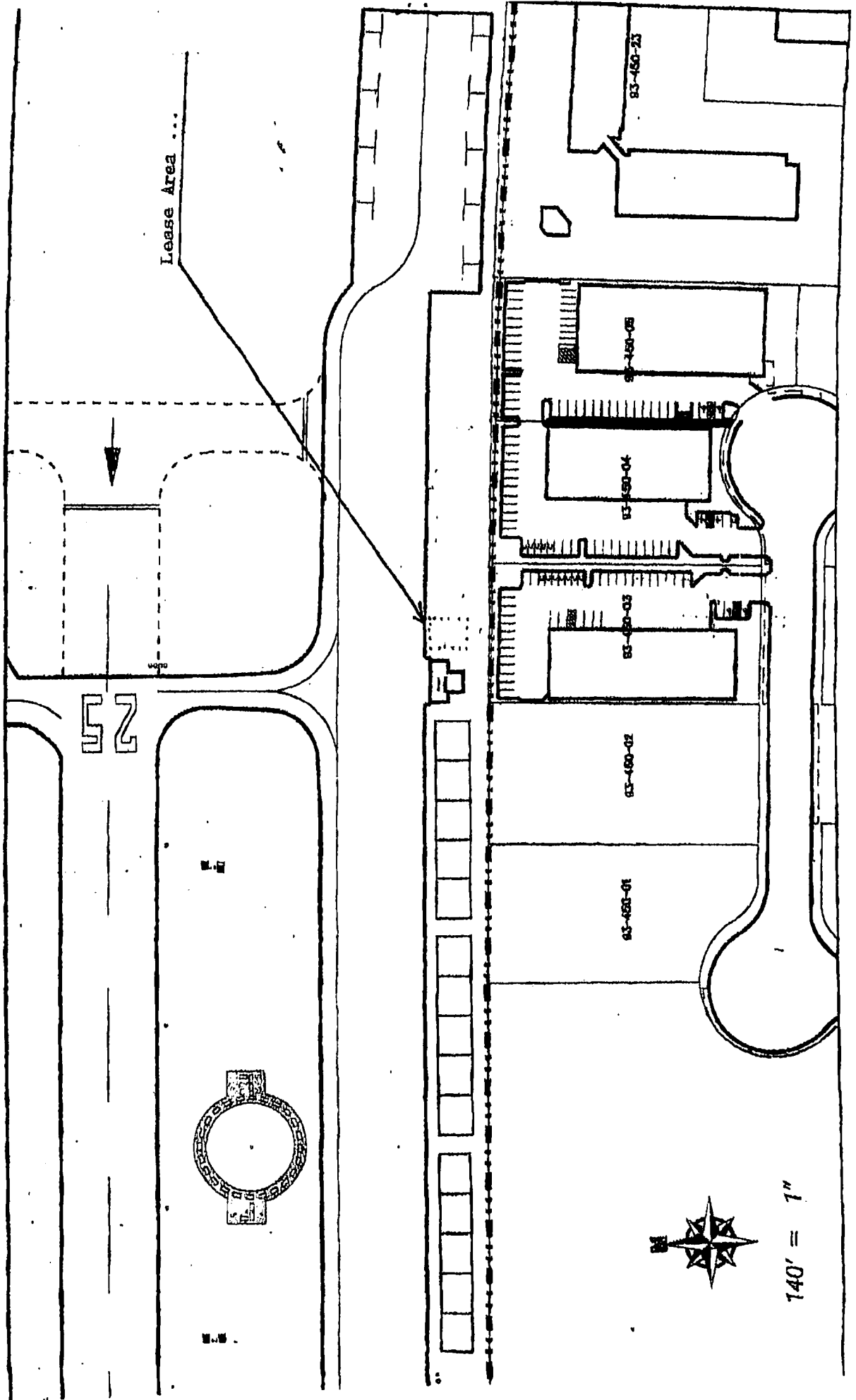
LESSEE:

Donna Terrones
City Clerk



Jon Warner

LOMPOC AIRPORT SOUTHEAST



140' = 1"