

SETTLEMENT AGREEMENT AND GENERAL RELEASE

This Settlement Agreement and General Release (the "Agreement") is entered into this 20th day of December, 2005 by and between Aerodynamics, Inc., a California corporation ("Aero"), and the City of Redlands, a municipal corporation ("Redlands"). Aero and Redlands are sometimes individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS

A. On or about July 5, 1979, Aero and Redlands entered into a "Master Lease Agreement" (the "Lease") by which Aero leased from Redlands certain real property generally located at the Redlands Municipal Airport, consisting of approximately 122,210.55 square feet, generally described as "Parcel No. 5" and commonly known as 1745 Sessums Drive, Redlands, California (the "Property"). A true and correct legal description of the Property is attached hereto as Exhibit "A."

B. On or about May 24, 1988, Aero and Redlands recorded with the San Bernardino County Recorder as Instrument Number 88-162947 a "Short Form of Lease" by which they gave notice to the public of the existence of the Lease. A true and correct copy of Instrument No. 88-162947 is attached hereto as Exhibit "B."

C. On or about May 11, 1989, Redlands executed a "Consent to Hypothecation" by which Redlands consented to Aero pledging the Lease to Redlands Federal Savings and Loan as security for financing obtained by Aero. Aero represents that, as of the date of this Agreement, Aero is not constrained in any manner from entering into this Agreement because of the Consent to Hypothecation or because of any other pledge of the Lease, Property or Improvements for security for any financing or other transaction.

D. On or about September 21, 1982, October 7, 1986, April 19, 1988 and May

5, 1992, Aero and Redlands entered into certain amendments to the Lease (the "Amendments") by which various terms and conditions of the Lease were modified.

E. During the term of the Lease, the Property was generally used by Aero for the storage, service and maintenance of aircraft and other related uses. Also during the term of the Lease, Aero constructed certain improvements on the Property relating to aircraft uses (the "Improvements"). The Improvements include, but are not limited to, three hangars (consisting of 12,122 square feet, 14,263 square feet and 21,808 square feet) storage sheds, an electrical shed and a fuel pump facility including an underground tank and computer control systems for payment, monitoring and operation of the fuel pump facility.

F. A dispute has arisen between Aero and Redlands in that Redlands claims that Aero has breached the Lease and/or the Amendments by failing to pay rent and/or comply with other covenants set forth in the Lease, thereby relinquishing its right to possession of the Property and Improvements, while Aero denies such allegations (the "Dispute").

G. In order to avoid the cost and expense of litigation, the Parties now desire to fully and finally settle and resolve any and all rights, claims, counter-claims, disputes, causes of action and alleged claims which currently exist, or may exist in the future, in favor of either Redlands or Aero, arising out of or involving any and all of the Parties' relationships and business dealings with each other, including but not limited to, those involving the Lease, the Amendments and the occupancy of the Property by Aero, except for those claims and liabilities specifically exempted by the terms of this Agreement.

H. The Parties agree and mutually acknowledge that this Agreement is for settlement purposes only. The Parties have denied and continue to deny, any wrongdoing in connection with the Lease and the Amendments. Neither this

Agreement nor any action taken pursuant to this Agreement shall constitute any admission of any wrongdoing, fault, violation of law, or liability of any kind on the part of the Parties, or any admission by and of the Parties of any claim or allegations made in any action against such Party. This Agreement is entered into, in substantial part, to avoid the fees and expenses attended with litigation of the claims and defenses asserted in the Dispute. The Parties agree that this Agreement shall be inadmissible as evidence of liability or damages in any forum or proceeding.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. The Parties acknowledge that the recitals stated above are true and correct and the recitals are incorporated by reference into this Agreement.

2. By its execution of this Agreement, Aero hereby releases all right, title and interest in the Property and the Improvements. Within ten (10) days of the date of Redlands' execution of this Agreement, Aero shall execute and deliver to Redlands a quit claim deed in the form attached hereto as Exhibit "C" (the "Quitclaim Deed") by which all of its right, title and interest in the Property and the Improvements is granted to Redlands. Redlands agrees that it is receiving the Improvements under this Agreement in an "as-is" condition, without any warranties of merchantability or habitability on the part of Aero. ~~Redlands shall have a reasonable due diligence period of thirty (30) days to inspect the Improvements following the "Termination Date," which is defined in paragraph 3, below.~~ *EX*

3. By its execution of this Agreement, Aero further releases all right, title and interest it may have in the Lease and the Amendments. Aero acknowledges and agrees that as of December 31, 2005, the Lease and the Amendments are terminated and are of no further force and effect and Aero has no right to the continued occupancy or possession of the Property and/or Improvements. Aero agrees that it shall vacate

the Property and Improvements and remove from the Property all personal property not otherwise transferred to Redlands pursuant to the terms and conditions of this Agreement on or before January 20, 2006 (the "Termination Date").

4. Aero further agrees that on or before the Termination date, it shall deliver to Redlands all equipment and materials necessary for Redlands to occupy and use the Property and Improvements including but not limited to, all keys, plans or blue prints for the Improvements, operation manuals, subtenant leases, financial records related to such subtenant leases, operating or occupancy permits and maintenance contracts or agreements that are in its possession. Furthermore, Aero agrees that for a period of six (6) months after the Termination Date, Aero shall make its CEO, Ed Krick, Sr., available to Redlands upon reasonable notice to answer questions regarding the operation of the Improvements.

5. In return for Aero granting to Redlands its interest in the Property and Improvements and vacating and giving up possession thereof, Redlands agrees to pay Aero the sum of nine hundred thirty-five thousand three hundred dollars (\$935,300.00) (the "Settlement Amount"). The Settlement Amount shall be paid concurrently with Aero's delivery of the Quitclaim Deed to Redlands as set forth in paragraph 2, above, and should be paid by wire transfer to "Aerodynamics, Inc." As a condition precedent to Redlands' obligation to pay the Settlement Amount, Aero shall provide Redlands with its federal taxpayer identification number. It is acknowledged and understood that, in the event of a default on the part of Redlands of its obligation to pay the Settlement Amount, as called for in this Agreement, all obligations on the part of Aero under this Agreement, including the release set forth in paragraph 9, shall be null and void.

6. Redlands presently has in its possession five (5) checks presented to it by Aero or by persons associated with Aero totaling \$13,825.64 (the "Checks"). The Checks, listed by date, number, payer and amount are:

	<u>Date</u>	<u>Check Number & Payer</u>	<u>Amount</u>
1.	3/18/05	1371 (Aerodynamics)	\$7,399.00
2.	3/18/05	1372 (Aerodynamics)	\$ 426.64
3.	5/02/05	591 (Edwin Krick)	\$2,000.00
4.	8/16/05	1441 (Aerodynamics)	\$2,000.00
5.	10/30/05	1394 (Aerodynamics)	\$2,000.00

Aero agrees that upon its execution of this Agreement, the Checks may be negotiated by Redlands as partial payment for back rent owed by Aero pursuant to the Lease. In return for the negotiation of the Checks, Redlands releases Aero from all further rental obligations pursuant to the Lease and the Amendments. Aero hereby represents and warrants that the Checks are valid and fully negotiable.

7. Redlands makes no representation or warranty as to whether there are any tax consequences associated with this Agreement or the Settlement Amount. The Parties agree that the determination of the tax consequences of the Settlement Amount is the sole responsibility of Aero.

8. Subsequent to the execution of this Agreement, Redlands shall negotiate in good faith with all subtenants of Aero who occupy portions of the Property or Improvements with the intent of entering into agreements with Redlands that allow such subtenants to continue their occupancy of the Property and/or Improvements, provided such subtenants are in compliance with all laws relating to operations at the Redlands Municipal Airport. Redlands acknowledges that it has been provided a copy of the subtenant agreement between Aero and Eric Paul, who is the only subtenant of Aero operating under a written subtenant agreement with Aero (the "Paul Sublease").

Redlands agrees that, within sixty (60) days, or sooner, of the date of this Agreement, and subject to the consent of Eric Paul, Redlands shall enter into a ground lease with Eric Paul which leases to Eric Paul the same hanger space that Eric Paul presently occupies pursuant to the Paul Sublease, and which contains substantially the same terms and conditions of the Paul Sublease, including but not limited to the rent, utility and expenses provisions of the Paul Sublease, but under terms which shall not be more restrictive than the Paul Sublease. By affixing his signature to the signature line immediately following this paragraph 8, Eric Paul acknowledges the provisions of this paragraph 8 and agrees to use good faith, reasonable efforts to negotiate and execute such a lease with Redlands.

Eric Paul

9. Except as provided in paragraph 11 below, Aero on behalf of itself and its agents, officers, officials, directors, shareholders, employees, partners, representatives, assigns, attorneys, insurers, predecessors, successors-in-interest, and affiliated entities hereby releases and forever discharges Redlands and its elected officials, officers, employees, representatives, assigns and attorneys from any and all claims, causes of action, actions, damages, losses, demands, accounts, reckonings, rights, debts, liabilities, obligations, injuries, disputes, controversies, judgments, payments, costs, loss of services, expenses and/or compensation and attorneys' fees, of every kind and character, known or unknown, existing or contingent, latent or patent, regarding the matters alleged in, arising from or related in any way to the Lease, the Amendments and/or the Dispute.

10. Except as provided in paragraph 11 below, Redlands in behalf of itself and its elected officials, officers, employees, representatives, assigns and attorneys hereby releases and forever discharges Aero and its agents, officers, directors, shareholders, employees, representatives, assigns, attorneys, insurers, predecessors, successors-in-

interest and affiliated entities from any and all claims, causes of action, actions, damages, losses, demands, accounts, reckonings, rights, debts, liabilities, obligations, injuries, disputes, controversies, judgments, payments, costs, loss of services, expenses and/or compensation and attorneys' fees, of every kind and character, known or unknown, existing or contingent, latent or patent, regarding the matters alleged in, arising from or related in any way to the Dispute or the events giving rise to it.

11. Neither Aero nor Redlands is aware of any environmental pollution or toxic contamination existing on the Property. Nevertheless, the releases set forth in paragraphs 9 and 10, above, shall not apply to any claims or controversies arising from or relating to the discovery or existence of any environmental pollution or toxic contamination of the Property or Improvements, whether such is known or unknown as of the date of this Agreement. The Parties hereby agree that they retain the ability to pursue all legal right and remedies relating to each other and any third party should such environmental pollution or toxic contamination be discovered, or should any litigation relating to any alleged environmental pollution or toxic contamination commenced. Notwithstanding the provisions of this paragraph 11, it is understood that Redlands shall undertake an environmental review of the Improvements and Property as a whole. Redlands agrees that within one hundred twenty (120) days of the Termination Date, it shall provide Aero with a written acknowledgment that it has completed its environmental review and in doing so, shall provide Aero with a written description of any environmental pollution or toxic contamination discovered, or with an acknowledgment that no such environmental pollution or toxic contamination was discovered. Aero agrees to provide Redlands with any and all information in its possession regarding fuel tank monitoring on the property by any governmental agencies that performed such inspections on or before January 6, 2006.

12. The Parties represent and warrant that they fully understand and voluntarily accept each of the terms of this Agreement and their consequences, and that they have sought the advice of counsel prior to executing this Agreement.

13. This Agreement is binding upon and shall inure to the benefit of the Parties, their respective agents, attorneys, representatives, executors, heirs, assigns, successors-in-interest, trusts, partnerships and joint ventures.

14. Each person or entity executing this Agreement hereby represents and warrants to the other signatories that he or it has the authority necessary to execute this Agreement; that no other consents or approvals of anyone are required or necessary for this Agreement to be binding; and, that they have respectively not sold, assigned, transferred, conveyed, or otherwise disposed of any of the claims, causes of action, demands, damages, judgments, costs, loss of services, expenses and/or compensation referred to in this Agreement.

15. This Agreement shall in all respects be interpreted, enforced and governed by and under the laws of the State of California.

16. This Agreement has been jointly negotiated and drafted. The language of this Agreement shall be construed as a whole according to its fair meaning, and not strictly for or against any of the Parties.

17. Should any term of this Agreement be deemed unlawful, that provision shall be severed and the remaining terms shall continue to be valid and fully enforceable.

18. Should any of the Parties to this Agreement retain counsel for the purpose of interpreting, enforcing or preventing the breach of any provision of this Agreement, and an action is commenced, or for defending against such an action, the prevailing Party shall be entitled to be reimbursed by the losing Party for its attorneys' fees and costs and expenses actually incurred in the good faith prosecution or defense of such action, including fees for any in-house counsel of the Parties at rates prevailing in San Bernardino County, California.

19. The Parties agree to execute such other documents and take such other action as may be reasonably necessary to finalize and perform this Agreement.

20. The Parties may execute duplicate originals of this Agreement or any other documents they are required to sign or furnish pursuant to this Agreement.

21. This Agreement contains the entire agreement between the Parties, and supersedes and replaces any and all prior or contemporaneous agreements or understandings, written or oral, with regard to the matters set forth herein. This Agreement may be amended or modified in whole or in part at any time, only by an agreement in writing, executed in the same manner as this Agreement.

22. Each Party to this Agreement shall bear all attorneys fees and costs arising from or related to the drafting and negotiation of this Agreement.

23. The Parties acknowledge and agree that this Agreement is for the sole benefit of Aero and Redlands and there are no third party beneficiaries to this Agreement.

IN WITNESS THEREOF, each party has executed this Agreement as of the date set forth beside their signatures below.

Dated: December 20, 2005.

AERODYNAMICS, INC.

Edwin H. Lusk, Sr.

By:

CITY OF REDLANDS

ATTEST:

Jon Harrison
Jon Harrison, Mayor

Lorrie Poyzer
Lorrie Poyzer, City Clerk

Dated: December 20, 2005

AERO-DYNAMICS INVESTORS, INC. - CITY OF REDLANDS

MASTER LEASE AGREEMENT

REDLANDS MUNICIPAL AIRPORT

PARCEL NO. 5

PROPERTY DESCRIPTION

PARCEL NO. 5

That portion of Lot 1, Tract No. 12083-1, as per Plat recorded in Book 176 of Maps, Pages 63 and 64, in the Office of the County Recorder of the County of San Bernardino; and that portion of the East 1/2 of Section 13, T. 1 S., R. 3 W., S.B.M. according to Government Survey described as follows:

Beginning at the SE corner of said Section 13 as shown on Parcel Map No. 1124 recorded in Book 12 of Parcel Maps, Page 14 in the Office of the County Recorder, County of San Bernardino, State of California, thence North along the East line of said Section 13, 2198.92 feet; thence South 89° 54' 37" West, 1557.05 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 279.50 feet; thence Northwesterly along said curve through a central angle of 35° 14' 51" an arc distance of 171.94 feet to the beginning of a reverse curve concave Southwesterly and having a radius of 320.50 feet; thence Northwesterly along last said curve through a central angle of 35° 14' 51" an arc distance of 197.17 feet to point of tangency; thence S 89° 54' 37" W, 129.63 feet to the True Point of Beginning; thence continuing S 89° 54' 37" W, 352.70 feet; thence N 0° 05' 23" W, 346.50 feet, thence N 89° 54' 37" E, 352.70 feet; thence S 0° 05' 23" E, 346.50 feet to the True Point of Beginning.

EXHIBIT "A-1"

Corrected Description
5-1-86 pat

EXHIBIT "A"

When recorded mail to:

City of Redlands
30 Cajon/P.O. Box 2090
Redlands, CA 92373
Attn: John E. Holmes
City Manager

88-162947

RECORDED IN OFFICIAL RECORDS
MAY 24 1988 AT 8:00 AM
SAN BERNARDINO COUNTY, CALIF.

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SHORT FORM OF LEASE

This SHORT FORM OF LEASE executed this 20th day of May, 1988, by and between the City of Redlands, California, a Municipal Corporation (hereinafter referred to as "City"), and Aero-Dynamics Investors, Inc., a California Corporation (hereinafter referred to as "Lessee").

WITNESSETH:

That for in consideration of the covenants and agreements contained in that certain Lease dated July 5, 1979, (the "Lease"), City does hereby demise and lease unto Lessee, and Lessee does hereby lease from City that certain real property in the City of Redlands, County of San Bernardino, State of California, within the Redlands Municipal Airport (the "Airport"), situated at 1745 Sessums Drive, and more particularly described as Parcel 5 on Exhibit "A" attached hereto and by this reference incorporated herein (the "Demised Premises").

TO HAVE AND TO HOLD the Demised Premises effective from the Commencement Date as defined in the Lease for a period of twenty (20) years, and containing three (3) ten (10) year options for extending the Lease, subject to the conditions and covenants contained in the Lease.

SCHEDULE A

The Demised Premises shall consist of a parcel of land known as Parcel 5 within the boundaries of the Redlands Municipal Airport containing one hundred twenty-two thousand, two hundred ten and 55/100 (122,210.55) square feet having a depth and width of three hundred forty-six and 50/100 by three hundred fifty two and 70/100 (346.50 x 352.70) feet. Lessee may construct, modify, repair or improve Parcel #5 of its leased premises at any time during the term of the Lease in conformance with established and customary standards of fixed base operations development, zoning ordinances, sign ordinances, and building codes of the City of Redlands and the terms of the Lease.

EXHIBIT "B"

The Demised Premises are situated within the Redlands Municipal Airport, owned and operated by City, known as Parcel #5 and is more particularly described on Exhibit A-1, Parcel No. 5 Property Description, attached hereto and by this reference incorporated herein (the "Property Description").

IT IS UNDERSTOOD AND AGREED that this Short Form of Lease is executed solely for the purpose of giving notice to the public of the existence of the Lease against the Demised Premises, the terms and conditions of which are expressly incorporated herein by reference for all purposes as though fully set forth herein. Should there be any inconsistency between the terms of this instrument and the Lease incorporated herein, the terms of said incorporated Lease shall prevail.

IN WITNESS WHEREOF, the parties hereto have executed this Short Form of Lease as of the day and year first above written.

CITY:

City of Redlands, California
a Municipal Corporation

ATTEST:

By:

John E. Holmes
JOHN E. HOLMES

Title: City Manager

LESSEE:

Aero-Dynamics Investors, Inc.,
a California Corporation

Beatrice Sanchez
Deputy City Clerk

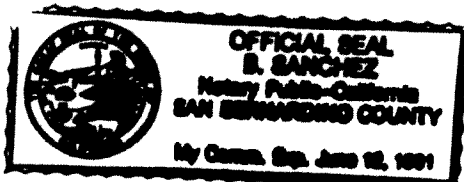
STATE OF CALIFORNIA)

COUNTY OF SAN BERNARDINO)

SS

On this 20th, day of May, in the year 1988, before me, B. Sanchez, Notary Public, in and for said State, personally appeared John E. Holmes, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as City Manager of the City of Redlands and acknowledge to me that the City of Redlands executed the within instrument.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.



B. Sanchez
B. SANCHEZ
My Commission Expires 6/12/91

The Demised Premises are situated within the Redlands Municipal Airport, owned and operated by City, known as Parcel #5 and is more particularly described on Exhibit A-1, Parcel No. 5 Property Description, attached hereto and by this reference incorporated herein (the "Property Description").

IT IS UNDERSTOOD AND AGREED that this Short Form of Lease is executed solely for the purpose of giving notice to the public of the existence of the Lease against the Demised Premises, the terms and conditions of which are expressly incorporated herein by reference for all purposes as though fully set forth herein. Should there be any inconsistency between the terms of this instrument and the Lease incorporated herein, the terms of said incorporated Lease shall prevail.

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CITY:

City of Redlands, California
a Municipal Corporation

ATTEST:

Beatrice Sanchez
Deputy City Clerk

By: John E. Holmes
JOHN E. HOLMES

Title: City Manager

LESSEE:

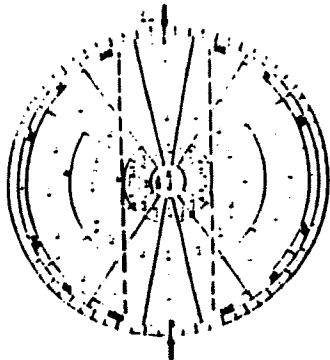
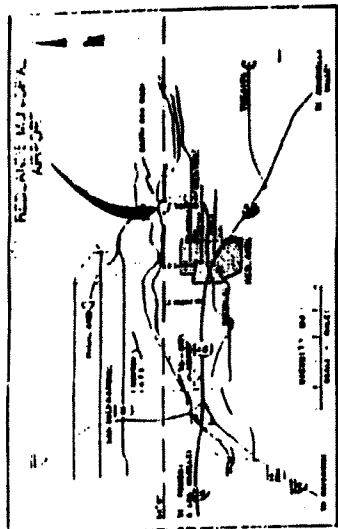
Aero-Dynamics Investors, Inc.,
a California Corporation

By: John J. Creatura
JOHN J. CREATURA

Title: President

By: Edwin H. Krick, Sr.
EDWIN H. KRICK, SR.

Title: Vice President



DATA RELAYED BY THE AIRPORT DISTRICT

ITEM	DESCRIPTION	DATE
1	CONSTRUCTION	1961
2	CONSTRUCTION	1961
3	CONSTRUCTION	1961
4	CONSTRUCTION	1961
5	CONSTRUCTION	1961

ADDITIONAL NOTES

1	CONSTRUCTION
2	CONSTRUCTION
3	CONSTRUCTION
4	CONSTRUCTION
5	CONSTRUCTION

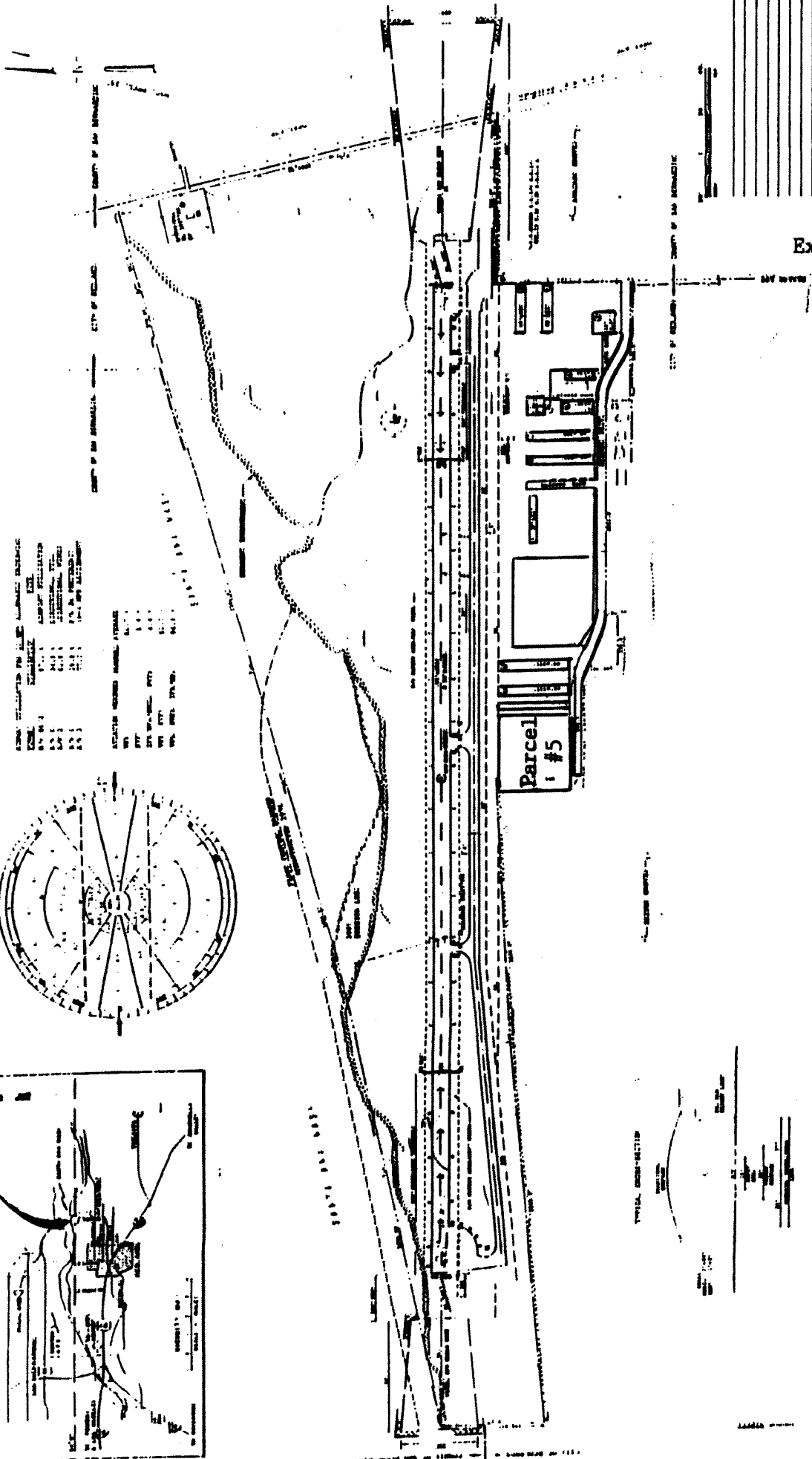


Exhibit "A"

ITEM	DESCRIPTION	DATE	BY	FOR
1	CONSTRUCTION	1961	JOHN A. DOWNEY, JR.	DIRECTOR
2	CONSTRUCTION	1961	JOHN A. DOWNEY, JR.	DIRECTOR
3	CONSTRUCTION	1961	JOHN A. DOWNEY, JR.	DIRECTOR
4	CONSTRUCTION	1961	JOHN A. DOWNEY, JR.	DIRECTOR
5	CONSTRUCTION	1961	JOHN A. DOWNEY, JR.	DIRECTOR

REDLANDS MUNICIPAL AIRPORT LAYOUT PLAN (CURRENT)

JOHN A. DOWNEY, JR. DIRECTOR

RECEIVED BY: [Signature]

DATE: [Date]

Exhibit "A"

AERO-DYNAMICS INVESTORS, INC. - CITY OF REDLANDS

MASTER LEASE AGREEMENT

REDLANDS MUNICIPAL AIRPORT

PARCEL NO. 5

PROPERTY DESCRIPTION

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Beginning at the SE corner of said Section 13 as shown on Parcel Map No. 1124 recorded in Book 12 of Parcel Maps, Page 14 in the Office of the County Recorder, County of San Bernardino, State of California, thence North along the East line of said Section 13, 2198.92 feet; thence South $89^{\circ} 54' 37''$ West, 1557.05 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 279.50 feet; thence Northwesterly along said curve through a central angle of $35^{\circ} 14' 51''$ an arc distance of 171.94 feet to the beginning of a reverse curve concave Southwesterly and having a radius of 320.50 feet; thence Northwesterly along last said curve through a central angle of $35^{\circ} 14' 51''$ an arc distance of 197.17 feet to point of tangency; thence S $89^{\circ} 54' 37''$ W, 129.63 feet to the True Point of Beginning; thence continuing S $89^{\circ} 54' 37''$ W, 352.70 feet; thence N $0^{\circ} 05' 23''$ W, 346.50 feet, thence N $89^{\circ} 54' 37''$ E, 352.70 feet; thence S $0^{\circ} 05' 23''$ E. 346.50 feet to the True Point of Beginning.