

**FIRST AMENDMENT TO LEASE NO. LAA-8637  
BETWEEN THE CITY OF LOS ANGELES  
DEPARTMENT OF AIRPORTS AND  
VIRGIN ATLANTIC AIRWAYS LIMITED  
FOR PREMISES LOCATED AT 5758 CENTURY BLVD.  
AT LOS ANGELES INTERNATIONAL AIRPORT**

THIS FIRST AMENDMENT TO LEASE NO. LAA-8637 is entered into this \_\_\_\_ day of \_\_\_\_\_, 2017, at Los Angeles, California, by and between the **CITY OF LOS ANGELES**, a municipal corporation, (herein after referred to as "City"), acting by order of and through the Board of Airport Commissioners (hereinafter referred to as "Board") of the Department of Airports, also known as Los Angeles World Airports ( hereinafter referred to as "Department" or "LAWA"), and **VIRGIN ATLANTIC AIRWAYS LIMITED**, (hereinafter referred to as "Lessee").

**RECITALS**

WHEREAS, City and Lessee previously entered into Lease No. LAA-8637, commencing August 31, 2012 and expiring August 30, 2017; and

WHEREAS, City and Lessee desire to further extend the term of the lease; and

NOW, THEREFORE, for and in consideration of the covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, IT IS MUTUALLY AGREED as follows:

**AMENDMENTS**

**Section 1. Description of Demised Premises.** Article 1, Section 1 "Description" of said Lease is hereby deleted in its entirety, and a new Article 1, Section 1.1 "Description" is hereby substituted in lieu thereof with the following:

"1.1 Description. The subject property is located at 5758 West Century Blvd, at Los Angeles International Airport, (hereinafter referred to as "LAX") and includes (i) approximately 145,387 square feet of land; (ii) approximately 81,674 square feet of paving, (iii) approximately 72,544 square feet of building space, which includes 9,718 square feet of office space, 2,411 square feet of lobby space, 60,415 square feet of warehouse space, (iv) and 33 parking stalls ("Demised Premises") The Demised Premises are generally delineated or depicted in the drawing and photographs on Airport Engineers' Drawing MLE No. 89069-80 Revision No. 11, attached hereto as Exhibit A (Premises) and also identified on Exhibit B (Payments), both of which are attached hereto and incorporated by reference herein."

**Section 2. Term of the Contract.** Article 1, Section 2.1 "Term of Lease" of said Lease is hereby deleted in its entirety, and a new Article 1, Section 2.1 "Term of Lease" is hereby substituted in lieu thereof with the following:

"2.1. Term of Lease. This Lease shall commence on August 31, 2012 ("Commencement Date"), and shall terminate ten (10) years thereafter, unless earlier terminated pursuant to the terms provided in this Lease, provided that either party may terminate the lease upon a One Hundred-eighty (180) day advance written notice."



**Section 3.** Article 1, Section 4.2 "Rental Adjustments" of said Lease is hereby deleted in its entirety, and in lieu thereof, the following shall be inserted:

"4.2. **Rental Adjustments.** It is agreed that rent shall be adjusted each year in accordance with the procedures provided hereinafter.

4.2.1. **Annual Adjustments.** Except when adjusted as provided in Article 1, Subsection 4.2.2. **Periodic Adjustment to Fair Market Rental**, below, the Monthly Rent shall be subject to automatic, annual rental adjustments on July 1 of each year, or such other date that the Board adopts by resolution (hereinafter referred to as "Annual Adjustment Date"). Beginning on July 1, 2012, the Monthly Rent shall be adjusted annually according to the percentage increase over the prior year, if any, in the Consumer Price Index, All Urban Consumers for the Los Angeles-Riverside-Orange County, California area, 1982-84=100 (hereinafter referred to as the "CPI-U"), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("B.L.S."), or its successor as follows:

4.2.1.1. Monthly Rent shall be multiplied by the CPI-U for the month of March immediately preceding the Annual Adjustment Date (hereinafter referred to as the "Adjustment Index"), divided by the said CPI-U as it stood on March of the prior year (hereinafter referred to as the "Base Index") and the result shall be the "Adjusted Monthly Rent" to be applied effective July 1 through June 30, provided that the Adjusted Monthly Rent shall not be less than two percent (2%) in any year, in accordance with the calculation below.

4.2.1.2. The formula for calculation of Adjusted Monthly Rent commencing each July 1 during the term of this Lease shall be as follows:

$$\text{Adjusted Monthly Rent} = \text{Monthly Rent} \times \frac{\text{Adjustment Index}}{\text{Base Index}}$$

4.2.1.3. If the B.L.S. should discontinue the preparation or publication of the CPI-U, and if no transposition table is available, then City shall adopt a basis for adjusting and revising the Monthly Rent on July 1 annually to vary said Monthly Rent according to any increase in commodity consumer prices over the prior year.

4.2.2. **Periodic Adjustment to Fair Market Rental.** Provided that nothing herein shall be construed to grant Lessee any extension rights unless expressly stated in this Lease, it is agreed that: (i) the Land rental rate shall be adjusted to the fair market rental rate effective as of July 1, 2020 and not less frequently than every five (5) years thereafter to a fair market rental rate; (ii) the Building rental rates shall be adjusted to the fair market rental rate five (5) years after the Effective Date and not less frequently than every five (5) years thereafter to a fair market rental rate (iii) and the Paving rates payable hereunder shall be adjusted by the Board of Airport Commissioners effective as of the date specified by the Board, retroactively or otherwise, and not less frequently than every five years thereafter to a fair market rental rate payable hereunder. However, nothing herein shall be construed to grant Lessee a right or option to extend the Lease.



4.2.2.1. Parties May Negotiate in Good Faith. At least one (1) year prior to the scheduled Periodic Adjustment Date and in accordance with Article 1, Section 4.2.2 above, the parties may (but are not required to), in good faith, negotiate the rental rate(s) applicable to the subject adjustment period(s) as referenced above. Such good faith negotiations, initiated by either party, may include the involvement of a third party reviewer to review and make nonbinding recommendations regarding each party's rate adjustment proposal, discussions regarding external and internal factors that may be unique to the land and/or improvements so that the reviewer(s) can take them into consideration when making the recommendations, in substantially the same manner as corroborated by the parties and applicable to the Demised Premises. The parties shall have continuing opportunities to negotiate in good faith in an attempt to reach agreement on rental adjustment(s) notwithstanding each party's obligation to perform its duties as described under Article 1, Section 4.2.2.2 below. If the parties are able to reach an agreement on the adjustment to the rental rate(s), then said rate(s) shall be presented as a recommendation to the Board. However, if the parties are unable to reach final agreement during said negotiation period, the parties may continue to negotiate in good faith to attempt to reach agreement until arbitration commences pursuant to Article 1, Section 4.2.2.6 below.

4.2.2.2. Appraisal Process. If the parties cannot reach agreement on the rental rate(s) or the Board does not approve the agreed upon rental rate(s) as described in Article 1, Section 4.2.2.1 at least nine (9) months prior to the scheduled Periodic Adjustment Date, then the parties shall determine the Monthly Rent by the procedures described in Article 1, Sections 4.2.2.3 through 4.2.2.5 below. City may elect to have such procedures apply separately to the rent applicable to improvements and may adjust the land rental rates on the basis of airport-wide land rental rates then in effect, provided that such rates were adopted in compliance with applicable laws. Should City choose to adopt this adjustment option, City will provide written notice to Lessee no later than ten (10) months prior to the Periodic Adjustment Date of the intention to adjust land and improvements separately. Separate appraisals will be procured for the land and the improvements (if any). Under this option, both the land and improvement adjustments will be completed separately under Article 1, Sections 4.2.2.2 through 4.2.2.6. City or Lessee may elect to use the same appraiser for both appraisal reports. Every effort will be made by City and Lessee to consolidate any required meetings as required in the appraisal process described below.

4.2.2.3. Step 1: Independent Appraisals. City and Lessee shall each select an appraiser, who is a member of the Appraisal Institute or its successor organization and meets the Minimum Qualifications as defined within this Lease (a "Qualified Appraiser"). Either Lessee or City shall, when notified in writing by the other to do so, deliver to the other party the name and address of such appraiser (each, selected Qualified Appraiser, a "Main Appraiser"). The Executive Director shall immediately fix the time and place for a conference between the two parties and the Main Appraisers no later than fifteen (15) days from the date of the exchange of names and addresses of the Main Appraisers. At such meeting, both Lessee and City may have discussions with the Main Appraisers as to any externalities that may affect the derivation of rental value conclusions. The Appraisal Instructions to be given to the Main Appraisers are as defined within this Lease. City and Lessee



shall each pay the fees and expenses of their respective Main Appraisers. The narrative appraisals must be completed according to the Uniform Standards of Professional Appraisal Practice (USPAP) for the year in which the appraisal is completed. No later than one hundred (100) calendar days after the date of the appraiser meeting, a copy of the completed, final USPAP-compliant appraisal report procured by both City and Lessee will be made available for review by the other party on the same day. If either City or Lessee fails to deliver its appraisal report by the appraisal report delivery deadline, the late party will inform the other party in writing of the reason for the delay and the expected date on which appraisal reports will be exchanged. If either party's appraisal report cannot be delivered within four (4) months of the appraiser meeting, the complying party shall have its appraisal report presented to the Board for approval. Upon exchange of the two appraisal reports, in the event that the determination of the rental value in the two appraisal reports differs by fifteen percent (15%) or less, the rate that is the average of the determinations in the two appraisal reports shall be presented as a recommendation to the Board. If the rate determinations in the two appraisal reports differ by more than fifteen percent (15%), the parties shall proceed to Article 1, Section 4.2.2.5 below.

4.2.2.4. Step 2: Arbitration Appraiser Selection. The Main Appraisers selected by each party shall be instructed to agree upon and select an Arbitration Appraiser (as defined below) no later than six (6) weeks after the appraiser meeting described above. The Arbitration Appraiser shall be a Qualified Appraiser that is not under contract with the City for appraisal services. If the Arbitration Appraiser selected is not available to perform the task pursuant to the instructions set forth in Article 1, Section 4.2.2.6 below or is unwilling to execute a City contract for the performance of appraisal services, then City and Lessee shall inform the Main Appraisers and require them to repeat the selection process again until an available Arbitration Appraiser is selected. If the Main Appraisers cannot come to agreement on the selection of an Arbitration Appraiser within (6) six weeks from the date of the appraiser meeting, the Executive Director shall select an Arbitration Appraiser.

4.2.2.5. Appraisal Review Period. The parties shall have one (1) month to review each other's appraisal reports from the date of the appraisal exchange as described in Article 1, 4.2.2.3 above. The parties may continue to negotiate the adjusted rental rates during this period. Within fifteen (15) calendar days of the appraisal report exchange in Article 1, Section 4.2.2.3 above, the Executive Director shall fix a time and place for a negotiation meeting between the parties to be held no later than six (6) weeks from the date of the appraisal report exchange. At such meeting, the parties shall attempt to reach a final agreement on the adjusted rental rates. Either party may include its Main Appraiser in the meeting, if desired. If Lessee and City reach agreement on the rental rate adjustments, the Executive Director shall present the results as a recommendation to the Board. If Lessee and City are unable to reach agreement on the adjusted rental rate(s) by the date that is fourteen (14) calendar days from the date of the negotiation meeting, then the parties shall proceed to Step 3 below.

4.2.2.6. Step 3: Appraiser Arbitration. City and Lessee shall each pay one-half of the fees and expenses of the Arbitration Appraiser. The Arbitration Appraiser



selected by the two Main Appraisers or the Executive Director, as the case may be, in Step 2, shall receive copies of both Lessee and City's final appraisal reports that were procured in Step 1 and a list of the rental rate adjustments that have not been agreed to by the parties. The Arbitration Appraiser shall be allowed three (3) weeks to review both appraisal reports. After review of the two appraisal reports, the Arbitration Appraiser will determine which of the rental rate(s) from the two appraisal reports are the most reasonable, considering comparable data selection, market information and applicable valuation methodology. The Arbitration Appraiser will communicate its decision in writing to both Lessee and City three (3) weeks after engagement. The Executive Director shall present the agreed-upon rental rate(s) and the Arbitration Appraiser's determinations as a recommendation to the Board. City shall make every effort to present the rate(s) for approval to the Board prior to the Periodic Adjustment Date.

4.2.3. Appraisal Criteria. The following appraisal criteria shall apply to Article 1, Sections 4.2.2.3 through 4.2.2.6.

4.2.3.1. Appraiser Minimum Qualifications. The Main Appraiser must possess, at a minimum, an MAI or SRPA designation and must be licensed in the State of California. The Main Appraiser must perform all of the calculations and technical portions of the appraisal report as well as derive the final value conclusions within the appraisal report. The Main Appraiser must have geographic market knowledge of the Los Angeles County area. Knowledge of the entire Southern California real estate market is preferred. The Main Appraiser must have a minimum seven (7) years of experience of appraising property in Southern California. If the Main Appraiser is valuing property within the perimeter fence of an airport ("on-airport"), he or she must have performed a minimum of five (5) appraisals of on-airport property within the past five (5) years.

4.2.3.2. Main Appraisers must be in good standing with the California Bureau of Real Estate Appraisers (CBREA) or its successor organization and have no more than one complaint filed against him or her for any reason and no complaints that have resulted in any disciplinary actions. The Main Appraisers must certify in the appraisal report that he or she has never received any disciplinary actions from the CBREA. The Main Appraisers must be able to provide documentation of the sources of comparable rental rate and sales data to the reasonable satisfaction of City and Lessee.

4.2.3.3. Appraisal Instructions. The Main Appraiser shall consider the following in completing the appraisal report:

4.2.3.3.1. Los Angeles Administrative requirements that are in force upon Lessee within its Lease at the date of value.

4.2.3.3.2. FAA regulations that may affect value such as the Building Restriction Line, Object Free Area, Runway Protection Zone, building height limitations as related to the "Transitional Zone" and any other regulations that may affect value.



4.2.3.3.3. City zoning that applies to the property. If the City-approved use does not conform to the current zoning at the date of value, and the current use is also determined to be the highest and best use, then the Main Appraiser will value the property as if it had the zoning that would allow its current use (variance granted).

4.2.3.3.4. Any public or private easements, such as utilities or rights-of-way, including navigation rights.

4.2.3.3.5. The appraisal of land shall be determined as if vacant under its highest and best use at the date of value, taking into consideration the government imposed restrictions listed above (both by law and restrictions as imposed under the Lease). The leasehold estate or "lessee's interest" (as defined within the most recent edition of "The Appraisal of Real Estate" as published by the Appraisal Institute) shall not to be considered.

4.2.3.3.6. City and Lessee shall have the right to modify any conditions of the appraisal process upon mutual written agreement of the parties.

4.2.4. With respect to additions, improvements, or alterations to leasehold structures authorized by City and made by Lessee during the term of this Lease, Lessee shall not be charged rent for the rental value thereof unless and until title to said additions, improvements, or alterations revert to City pursuant to the terms of this Lease or by operation of law.

4.2.5. Nothing herein shall prejudice the right of Lessee to contest, in a court of competent jurisdiction, such adjusted rental in the event said Board may have acted arbitrarily or unreasonably. However, pending the outcome of any such litigation, Lessee shall be obligated first to either pay the new rental and all retroactive amounts directly to City as they come due, or deposit such increased amounts of such rental and the retroactive amounts into a joint escrow account. Provision shall be made for the payment to the City of the escrowed funds, including accrued interest, (to the extent such funds are owed by Lessee to City) upon a final determination of the appropriate rental adjustment, if any.

4.2.6. Notwithstanding Article 2, Section 70 below and subject to Article 1, Section 4.2.7 below, if either Party alleges that the other Party has failed to comply with the procedure specified in Article 1, Section 4.2.2.2 above, the Party alleging noncompliance must notify the other Party in writing within thirty (30) days, describing such noncompliance in detail and providing the other Party a reasonable time for cure (in any case, not less than ten (10) days), otherwise such noncompliance shall be deemed waived; provided that failure by the parties to timely comply with the rental readjustment procedures herein shall not be construed to constitute a waiver of the right of City to a rental readjustment. In the event adjustment of rental is not completed prior to the adjustment date, Lessee shall continue to pay the rent set for the preceding period, at the intervals and in the manner fixed for such preceding period, and if such rent is thereafter fixed in a different amount, such new rental shall take effect retroactively back to the beginning date of the readjustment period. Subject to Lessee's right of contest and right to escrow funds, unless the Board otherwise agrees to a payment plan with interest, Lessee shall promptly pay to City that sum, if any, which has



accrued as a result of such retroactive application. If a rental reduction occurs, City shall provide a rent credit to Lessee's account equal to the sum which has accrued as a result of such retroactive application.

4.2.7. If City has complied with the appraisal procedure and related time frames as set forth above, City shall be entitled to receive, in addition to all retroactive rents that become due as a result of Board-adjusted rental rate(s), the time value of said rental increase(s) calculated from the effective date of the increase(s) to the time period that the rental increase(s) are assessed to the Lessee at an interest rate representing what the City may have otherwise been entitled to if the funds associated with the increase(s) were available for City's use; however, in no event shall the interest rate be less than five percent (5%).

4.2.8. Assessments, Fees, and Charges. In addition to the rental obligation, Lessee hereby agrees to pay such assessments, fees, and charges as shall be set by the Board and that shall be generally applicable to similarly situated lessees at Airport."

**Section 4. Exhibit B.** Exhibit B to the lease is hereby deleted in its entirety and replaced by Exhibit B to this First Amendment.

**Section 5. Effect of this First Amendment.** Except as amended or modified by this First Amendment, the Lease is hereby ratified and confirmed and all other terms of the Lease shall remain in full force and effect, unaltered and unchanged by this First Amendment. If there is any conflict between the provisions of this First Amendment and the provisions of the Lease, the provisions of this First Amendment shall prevail. Whether or not specifically amended by this First Amendment, all terms and provisions of the Lease are amended to the extent necessary to give effect to the purpose and intent of this First Amendment.

**Section 6. No Third Party Beneficiaries.** No provisions of the Lease or the First Amendment may be amended or added to except by a written agreement signed by the Parties or their respective successors-in-interest. This First Amendment is not intended to confer upon any person other than the Parties any rights or remedies hereunder.

**Section 7. Governing Law; Interpretation.** This First Amendment shall be governed by, and construed in accordance with, the laws of the State of California. The Lease and this First Amendment is subject to the provisions of the Los Angeles Administrative Code. Each Party represents and warrants that this First Amendment has been negotiated and drafted at arms-length by equally sophisticated parties, and any ambiguity cannot be attributed to either Party hereto. If any provision of this First Amendment, or the application thereof to any persons or circumstances, shall be invalid or unenforceable, the remainder of this First Amendment shall not be affected thereby, and each provision of this First Amendment shall be valid and shall be enforceable to the fullest extent permitted by law.

**Section 8. Counterparts.** This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached there from without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

IN WITNESS WHEREOF, City has caused this First Amendment to be executed on its behalf by the Chief Executive Officer and Lessee has caused the same to be executed by its duly authorized officers, all as of the day and year first herein above written.



**APPROVED AS TO FORM:**

Michael N. Feuer, City Attorney

Date: September 5, 2017

By: [Signature]  
Deputy/Assistant City Attorney

**CITY OF LOS ANGELES**

By \_\_\_\_\_  
Chief Executive Officer  
Department of Airports

**ATTEST:**

By [Signature]  
Signature

Gabriela Villalpando  
Print Name

[SEAL]

**VIRGIN ATLANTIC AIRWAYS LIMITED**

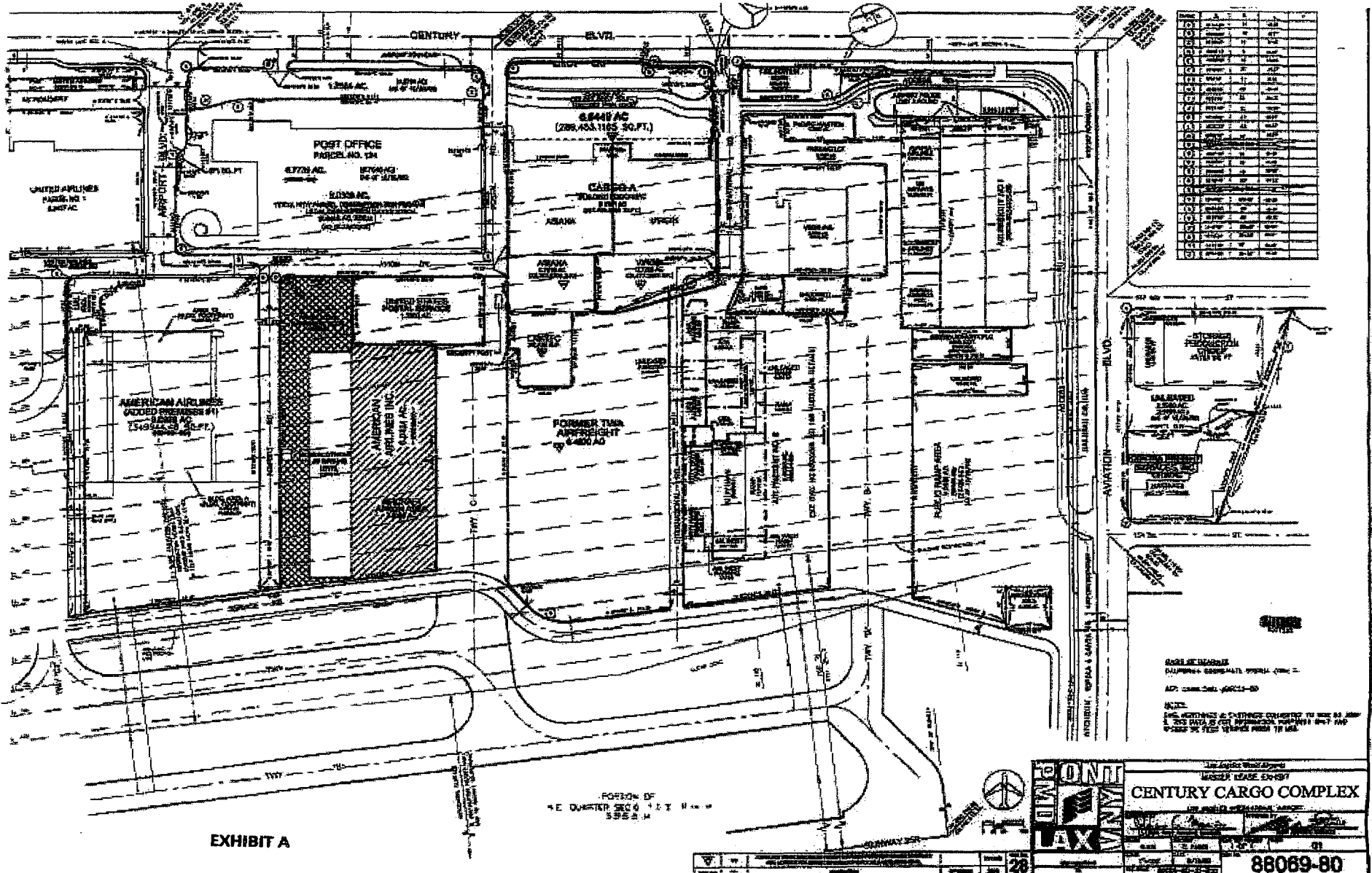
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TOM Mackay  
Print Name

SVP and CFO  
Print Title







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EXHIBIT A

PORTION OF  
NE QUARTER SEC 6 T 12 N  
R 35 E 14

The Airport Wood Airport  
**MUSKIE LEASE EXHIBIT**  
**CENTURY CARGO COMPLEX**  
 88069-80

## PAYMENTS

Lessee: Virgin Atlantic Airways, Inc.

Address: 5758 W. Century Boulevard, LAX

Lease No: LAA-8637

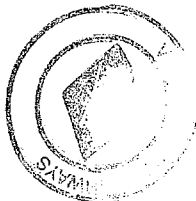
First Amendment - Extension of lease term

Changed expiration from August 30, 2017 to August 30, 2022

Effective August 31, 2017

Component/ Item:	Area:	Unit:	Rate:*	Unit:	Annual Rent:	Monthly Rent:
Cargo Land	145,387	SF	\$3.3800	PSFPY	\$ 491,408.06	\$40,950.67
Auto Paving	81,674	SF	\$0.40000	PSFPY	\$ 32,669.60	\$2,722.47
Building	72,544	SF	\$22.00	PSFPY	\$ 1,595,968.00	\$132,997.33
<b>Totals</b>					<b>\$ 2,120,045.66</b>	<b>\$176,670.47</b>
Annual/Monthly Rent is subject to periodic and annual rental adjustment(s) pursuant to lease.						
Abbreviations: Square Feet = SF, PSFPY = Per square foot per year						

The amount required for the Faithful Performance Guarantee is: **\$530,011.42**



**EXHIBIT B**