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1. Leased Property

The Lessor hereby leases and agrees to deliver to Lessee the items of property listed in the purchase order. Lessor shall furnish property which is of good quality and in first-class operating condition. The parties may, from time to time, by mutual agreement, include under this Lease additional items of property by amendment to such purchase order.

2. Term

The term of this Lease shall commence and end on the days and years set forth in the purchase order, unless extended or sooner terminated as provided for herein.

3. Location of Leased Property

The leased property shall be generally located at Aerojet General Corporation, Sacramento, California facility or at such other locations set forth in the purchase order.

4. Disputes

A. Any dispute between Lessor and Lessee arising under, for alleged breach of, or in any other way related to, this Lease shall, if not resolved by mutual agreement, be subject to resolution only as provided below.

B. Lessee may pursue Lessee's rights against Lessor in any tribunal with jurisdiction.

C. Lessor may pursue its rights against Lessee only in a court of competent jurisdiction in the State of California. The law applicable to the interpretation of this Lease and the resolution of disputes between Lessee and Lessor in connection with this Lease shall be the law of the State of California.

D. Pending resolution of any dispute with Lessee, Lessor shall proceed diligently to perform all of the duties that it would have, in the absence of the dispute, toward Lessee.

E. Whenever a provision of this Lease grants Lessor a form of remedy, whether an "equitable adjustment" or otherwise, that shall be the exclusive form of remedy to Lessor, and Lessor shall not have any other or broader right, including, but not limited to, one for "breach of contract."

5. Packaging

All property shall be packaged for ease of handling and in such a manner as to assure its protection during shipment and storage. Unless otherwise provided for, rent includes all charges for packaging and transportation to the place of delivery.

6. Rent

A. The Lessee shall, upon the submission of proper invoices, pay rent for the leased property at the monthly rate specified in the purchase order. Such rent shall begin upon date of delivery by the Lessor and acceptance by the Lessee, and shall continue to the date on which this Lease expires or is terminated with respect to said item or items of leased property; provided, however, that such rental shall commence upon the date when the item is placed in a usable condition in those cases wherein an item is unusable as a result of need for repair or parts replacements at the time when rental would otherwise begin. Rent accruing during the month of delivery of any item or items of leased

property and the month in which such item or items of leased property are returned to the Lessor shall be prorated on the basis of a thirty-day month.

B. The Lessee shall as soon as practicable notify the Lessor of the date or dates upon which the items to be leased were or are received by it and will advise the Lessor of any items that were or are not in usable condition as a result of the need for repair or parts replacement at the time of receipt.

7. Warranty-Rental Amount

Lessor warrants that any rental fee charged under this Lease does not exceed the price charged to any other customer of Lessor for like quantities of the same leased articles. Upon Lessee's request, Lessor shall provide Lessee with proof of Lessor's compliance with this warranty. Lessee shall have the right to recover from Lessor the amount by which and lease fee charged under this Lease exceeds the figure Lessor warrants under the Clause.

8. Maintenance

The Lessor shall preserve and maintain the leased property in good operating condition in accordance with sound industrial practice and in compliance with Federal, State and Local environmental and safety regulations. If Lessor fails to take action to maintain noncompliant items, upon thirty (30) days notice from Lessee, Lessee may at its option, terminate this lease for default, make such corrective actions required or take any other necessary actions to prevent noncompliance with environmental and safety requirements. If Lessee takes any such actions, Lessor agrees to compensate Lessee for its incurred costs. No rent shall accrue with respect to any property during any period when such property is unserviceable or during any period when such property is unusable as a result of the failure of the Lessor to render service in connection with operation and maintenance of the property, or is noncompliant with environmental and/or safety requirements.

9. Inspection and Acceptance

The leased property shall be subject to inspection, acceptance or rejection by Lessee after delivery to destination, notwithstanding any prior payment. Replacement of rejected items or equipment or parts thereof shall not be made unless requested by Lessee.

10. Disposition of Leased Item(s)

Immediately upon total or partial termination or expiration of this Lease or upon notice to the Lessor of the rejection of any item or items of the leased property, Lessee at Lessor's expense shall prepare such item or items for shipment in accordance with any applicable specifications and instructions. Within ninety (90) days after total or partial termination, expiration, or notice to the Lessor of

rejection, the Lessor shall furnish the Lessee instructions as to the place to which the items or items affected thereby shall be shipped, and the means of transportation.

11. Warranty-Quality

For the term of this Lease, Lessor warrants to Lessee that the property covered by this Lease will be free from defects in material, workmanship and title and will be the kind and quality designated or described in the purchase order. Unless specifically agreed to otherwise by Lessor and Lessee, Lessor agrees to replace free of charge any items of equipment, part or parts thereof, which do not conform to this warranty.

12. Termination-Convenience

A. The Lease may be terminated by Lessee at any time as to any or all of the leased property. Lessee shall furnish to the Lessor thirty (30) days written notice for such termination. Lessee shall be liable for any unpaid rent pursuant to the clause hereof entitled "Rent."

13. Termination-Default

A. Lessee may, by written notice of default to Lessor, terminate this Lease or any part thereof if Lessor, (1) fails to deliver the property or perform services, if any, in accordance with the delivery schedule specified herein, or any extension thereof, or (2) so fails to make progress as to endanger performance of this Lease, or fails to comply with any of the other provisions of this Lease and does not cure such failure within a period of ten (10) days, or such longer period as Lessee may authorize in writing, after receipt of notice from Lessee specifying such failure.

B. In the event of termination for default pursuant to this Clause, the Lessee may lease similar articles or equivalent services elsewhere. Lessor shall be liable to Lessee for any excess cost, provided, however, that Lessor shall not be liable for such excess cost when the failure of Lessor is due to cause beyond the control and without the fault or negligence of Lessor. No cause shall constitute a basis for excusable delay unless Lessor has notified Lessee in writing of the existence of such cause within ten (10) days from the beginning thereof.

C. Lessee may, by written notice, terminate this Lease in whole or in part for default if, in Lessee's opinion, Lessor appears to be insolvent or in an unsound financial condition so as to endanger performance.

14. Nondisclosure

Lessor hereby agrees that all technical information contained in documents, drawings, publications, specifications, schedules, and the like received from

Lessee for the performance of this Lease is received in confidence and is the proprietary property of Lessee and that such information will not be transmitted, reproduced, used, or disclosed to any person or organization by Lessor (except as may be necessary for the performance of work required to be done under this contract with Lessee) without the express prior written approval of Lessee. If this Lease is issued pursuant to a United States Government contract, this agreement will be extended to read Lessee and the Government.

15. Patent, Copyright, Trademark and Trade Secret Indemnification and Assistance

A. Lessor shall report to Lessee, promptly and in reasonable written detail, each notice or claim of patent, trademark, copyright, or trade secret infringement based on the performance of this Lease of which Lessor has knowledge.

B. Except for items that Lessee requires to be produced according to Lessee's design drawings, Lessor holds and saves Lessee and Lessee's successors, assigns, customers, and users of its products and services from any liability, loss, damage, judgments, or awards, including costs and expenses and attorney fees, arising out of any actions, claims, or proceedings for infringement of (a) any United States Letters Patent purporting to cover the materials to be leased to Lessee under this Lease, or their normal intended use, and (b) any trademark, copyrights or trade secrets applicable to material delivered to Lessee. Lessor agrees to defend Lessee at Lessor's expense in all such actions, claims, or proceedings, provided Lessee shall give Lessor prompt notice in writing at the address stated in the Lease, of all such actions, claims, and proceedings, as well as notices of infringement or possible infringement, and of threats of any suit for infringement.

16. Labor Disputes

Whenever an actual or potential labor dispute delays or threatens to delay any performance under this Lease, Lessor shall immediately give Lessee notice and, if the original notice is not in writing or does not contain full details, Lessor shall promptly furnish such notice and such details in writing. Lessor shall ensure that the obligations of this Clause are made binding on all tiers of its subcontractors.

17. Assignment and Subcontracting

A. Monies due to Lessor under this Lease may not be assigned in whole or in part by Lessor without the prior written approval of Lessee. To the extent that any law, statute, regulation, or the decision of any court commission, or regulatory body may or shall contain a contrary provision, Lessor thereby waives the right to assert such contrary provision in support of any assignment.

B. Without Lessee's written consent, Lessor may not (i) assign or transfer any right of Lessor under this Lease, or (ii) delegate or subcontract any portion of Lessor's responsibilities under this Lease, except that Lessor may delegate or

subcontract work expressly identified as subcontracted or delegated in Lessor's quotation to Lessee or in negotiation with Lessee on that quotation. Lessee shall not be bound by any action in violation of this Clause. Lessee's rights shall not be diminished, nor shall its obligations (including, but not limited to, those related to the amounts Lessee must pay) be increased by any assignment, transfer, delegation, or subcontract, whether in compliance with or in violation of this Clause. Lessor holds Lessee harmless against any such increase in Lessee's rights and decrease in Lessor's obligations. Lessee's consent to any assignment or transfer may not be reasonably withheld but may be conditioned on such terms as Lessee deems appropriate.

C. No copy of this Lease or of any plans, specifications or other Lessee furnished document relating to this Lease, if marked "Top Secret," "Secret" or "Confidential," may be revealed to any assignee, delegate, or subcontractor, except as duly authorized.

18. Liability and Risk of Loss

A. The leased property shall be returned by the Lessee to the Lessor in as good of condition as when received, normal wear and tear or unavoidable casualty excepted.

B. Lessee shall not be liable for loss or destruction or any damages, to the leased property which are: (1) caused by any of the following perils while on the Lessee's premises or on premises under its control. Such perils include, but are not restricted to: Acts of God or of the public enemy; acts of the Government in either its sovereign or contractual capacity; fires; flood; lightning; windstorms; cyclones; tornado; hail; explosion; riot; civil commotion; theft; vandalism and malicious mischief; sabotage; aircraft or objects falling therefrom; smoke, sprinkler leakage; earthquakes or volcanic eruption; or warlike actions, (2) caused by Lessor's leased property or by the fault of negligency of Lessor.

C. Lessor agrees to maintain insurance or self insurance plan, in such amounts and in such form, as required to cover any risks or perils for which Lessor is responsible hereunder. Evidence of insurance coverage need not be filed with Aerojet General Corporation unless this Lease agreement covers the lease (or charter) of vehicles or aircraft. In these excepted cases, the following applies:

(1) Certificates, in duplicate, evidencing third party public and property damage liability shall be filed with Aerojet General Corporation prior to the execution date of this Lease agreement. Minimum limits of coverage shall be:

Vehicles (passenger cars, station wagons, pickups, and trucks that are licensed for use of the public highways

Bodily injury liability - \$1,000,000 each person and \$1,000,000 each occurrence.

Property damage liability - \$1,000,000 each occurrence and \$1,000,000 aggregate.

Fully comprehensive fire and theft.

Collision coverage - \$100 deductible.

(2) Each of the certificates shall provide for thirty (30) days advance notice in the event of material change or cancellation of said policies of insurance. Certificates and notices delivered by mail shall be registered, postage prepaid, and addressed to Aerojet General Corporation, at the address shown on the purchase order, Attention: General Purchasing Department.

(3) Any failure of Lessor or its insurer to comply in full with provisions of these requirements shall in no way constitute a waiver by the Lessee of any contractual rights hereunder, unless such waiver is in writing and signed by the Lessee.

19. Applicable Laws and Regulations

A. Lessor shall comply with all Federal, State, or local laws, rulings, regulations, and orders pertaining to this Lease in effect on its date.

20. Safety and Environmental Requirements

Lessor shall, to the extent required, comply with the requirements of the Federal and California Occupational Safety and Health Acts, National Fire Codes (NFPA), State of California Title 17 Public Safety, and Federal and State of California law and regulations pertaining to the Environment and Hazardous Waste Disposal.

21. Buyer's Remedies

All rights and remedies of Lessee set out in this Lease are cumulative and in addition to any remedies provided by law or equity. Waiver by Lessee of any failure by Lessor shall not be a waiver of any other failure, and all provisions of this Lease shall remain in full effect, unless terminated by Lessee.

22. Prohibition of Gratuities

A. Lessor warrants that it and its agents and representatives have not offered or given, and will not offer or give, any gratuities in the form of entertainment, gifts, or otherwise to any officer or employee of Lessee or Lessee's customer with a view toward securing this or any other Lease/Order, any favorable treatment with respect to the awarding or amending of this or any other

Lease/Order, or the making of any determination with respect to Lessor's rights or duties.

B. For any breach of Lessor's warranty under this Clause, Lessee shall have, in addition to any other rights provided by this Lease, the rights to terminate all Leases and Orders with Lessor for default, and to recover from Lessor the amount of any gratuity, plus all reasonable costs (including attorney fees) incurred in seeking such recovery. (Lessor is also advised that, if this Lease is issued under a prime contract or subcontract of the U.S. Government, any gratuity covered by this Clause may also entail liabilities of Lessor under applicable statutes or other provisions.)

23. Computing Time

Except as otherwise expressly stated, all "days" referred to in this Lease shall be calendar days. If the last day of any period falls on a weekend or Federal holiday, the period shall expire the next working day after the weekend or holiday.

24. Survival of Provisions

The provisions of this Lease shall survive any termination of the Lease as well as any acceptance and final payment under this Lease.

25. Entire Agreement

The provisions of this Lease are the complete and exclusive statement of the agreement between the parties and supersede all prior dealings of any kind between them about any matter covered by this Lease. Lessor shall not be bound by any modification or alteration of this Lease, or any notice, directive, approval or determination, unless it is in the form of a written instrument signed on behalf of Lessee by a person assigned to Lessee's procurement department responsible for administration of this lease.