

James Carl

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") dated this 13th day of October, 2000,
made by and between SPARTON TECHNOLOGY, INC., a New Mexico corporation (hereinafter
called "Lessor"), and ALBUQUERQUE MOTORS, INC. d/b/a MELLODY DODGE, a New Mexico
corporation (hereinafter called "Lessee")

W I T N E S S E T H:

Lessor, in consideration of the rent to be paid and the covenants and agreements to be performed by Lessee, as hereinafter set forth, does hereby LEASE, DEMISE and LET unto Lessee and Lessee hereby takes and accepts the real property described in Exhibit A attached hereto and made a part hereof, together with such improvements and improvements now or hereafter located or erected thereon and together with all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said property (all of said property hereinafter called the "Leased Property") for the term hereinafter set forth.

The Leased Property is leased by Lessor to Lessee and is accepted and is to be used and possessed by Lessee upon and subject to the following terms, provisions, covenants, agreements and conditions:

1. Initial Term; Renewal Term.

(a) This Lease shall be for an initial term of ten (10) years (herein called the "Term") commencing on the 1st day of January, 2000 (hereinafter called the "Commencement Date") and ending at 11:59 p.m. on the 1st day of January, 2010, unless sooner terminated as provided in this Lease. In the event that Lessee has not satisfied or waived all of its contingencies on or before January, 2000, the Lessee shall be entitled to extend its period for satisfaction or waiver of its contingencies to March 1, 2000, upon written notice accompanied by Lessee's payment of \$10,000 as the fee for such extension.

(b) Commencement of this Lease is contingent upon Lessee obtaining zoning approval, if required, and approval from Daimler Chrysler Corporation, to the extent required, approval of all curb cut permits and other Development permits and approvals deemed necessary by Lessee for construction and operation of Lessee's new and used auto/truck sales, service and body shop operation of Lessee's dealership on the Leased Property prior to the Commencement Date. Commencement of this Lease is further contingent on Lessee's reasonable satisfaction regarding (i) the location of the access easement required by the Declaration and Grant described in paragraph 14(c) below, (ii) the amount and dimensions of frontage along Coors Blvd. after Lessor has determined whether the Non-Use Area, described in paragraph 9 below, may be modified to allow such frontage, (iii) the premium, cost and availability of insurance to protect Lessee against business interruption and loss of value of improvements arising from Lessor's exercise of its rights hereunder, and (iv) title condition of the Property after review of a title search and report of the Property, to be ordered at the execution hereof and the cost of which to be paid by Lessee. Commencement of this Lease is also contingent upon obtaining City Engineer approval pursuant to paragraph 14(c) below.

(c) Lessee shall have the option of extending the Term of this Lease for one (1) additional successive term (the "Renewal Term") of sixty (60) months on the same terms and conditions as provided in this Lease; provided, however, that:

(1) Any exercise of the extension option hereby granted to Lessee shall be in writing delivered to Lessor not later than 180 days prior to the expiration of the initial Term.

(2) Lessee shall have no option to extend this Lease at any time when there exists an event of default by Lessee and any notice given pursuant to subparagraph (b)(1) above will be void if given at any such time.

(3) During the Renewal Term, Lessee shall Pay monthly rent in the amount calculated pursuant to subparagraph 2(b) hereof.

2. Rent.

(a) Lessee covenants and agrees to pay to Lessor as rent (hereinafter referred to as "Rent") for the Leased Property the sum of Twelve Thousand and No/100 Dollars (\$12,000.00) per month payable in advance on the first day of each month during the initial Term of this Lease. Should this Lease commence on a day other than the first day of a calendar month or terminate on a day other than the last day of a calendar month, the Rent for such partial month shall be prorated. The first installment of Rent, whether for a full calendar month or a portion thereof, shall be paid contemporaneously with the execution of this Lease.

(b) If the option to extend the Term is exercised, at the commencement of the Renewal Term Lessee covenants and agrees to pay to Lessor as Rent for the Leased Property the monthly rental of the product of \$12,000.00 times the CPI Increase (as hereinafter defined) as set forth below. Other amounts Lessee must pay under this Lease (such as the cost of utilities) shall be in addition to the Rent specified in subparagraph (a) and (b) above. As used herein, the "CPI Increase" means the Index (as hereinafter defined) most recently published prior to the date on which Lessee gives its notice of renewal pursuant to clause (b)(1) above (the "Renewal Index") divided by the Index for the month 120 months prior to the month of the Renewal Index. The "Index" shall be the Consumer Price Index for all Urban Consumers (CPI-U) U.S. city average published by the Bureau of Labor Statistics, United States Department of Labor. The Index has been published continuously since 1913, and the parties believe it improbable that same will be discontinued during the term of this Lease, or the extension thereof. Lessor and Lessee under this Lease hereby agree, however, that if the Index is discontinued during the term or extension of this Lease, Lessor shall select a comparable index as a substitute for the Index. Notwithstanding the foregoing, the Rent provided for in this subparagraph shall never be adjusted downward to be less than \$12,000 per month.

(c) All Rent shall be paid by Lessee to Lessor at Lessor's address specified in or pursuant to Paragraph 26 hereof, or to such other person and/or at such other address as Lessor may direct by notice to Lessee, in currency of the United States of America.

(d) Lessee has deposited with Lessor the sum of \$12,000 as security for the full and faithful performance by Lessee of Lessee's covenants and obligations hereunder. Such security deposit shall not bear interest and shall not be considered an advance payment of Rent or a measure of Lessor's damages in case of default by Lessee. In the event Lessee defaults in the performance of any of the covenants and obligations to be performed by it hereunder, including but not limited to the payment of all Rent to be paid hereunder, Lessor may, from time to time, without prejudice to any other remedy, use such security deposit to the extent necessary to make good any arrearages in Rent or any sum as to which Lessee is in default and any other damages or deficiency in the reletting of the Leased Property, whether such damages or deficiency may accrue before or after termination of this Lease. Following any such application of the security deposit, Lessee shall pay to Lessor on demand the amount so applied in order to restore the security deposit to its original amount. If Lessee is not then in default hereunder, any remaining balance of the security deposit shall be returned by Lessor to Lessee upon termination of this Lease and after delivery of the entire possession of the Leased Property to Lessor in accordance with this Lease. If Lessor assigns its interest in the Leased Property during the Term of this Lease, Lessor may assign the security deposit to the assignee and thereafter Lessor shall have no further liability for the return of such security deposit. The provisions of the preceding sentence shall apply to every transfer or assignment made of the security deposit to a new Lessor. Lessee agrees that it will not assign or encumber or attempt to assign or encumber the moneys deposited herein as security and the Lessor and its successors and assigns shall not be bound by any such actual or attempted assignment or encumbrance. Regardless of any assignment of this Lease by Lessee, Lessor may return the security deposit to the original Lessee, in the absence of evidence satisfactory to Lessor of an assignment of the right to receive such security deposit or any part of the balance thereof.

3. Real Estate Taxes; Operating Expenses.

(a) Lessee shall promptly pay all taxes, assessments, water and sewer charges, utilities, operating expenses, and other governmental levies against the Leased Property or any part thereof whether ordinary or extraordinary, foreseen or unforeseen, together with any interest or penalties thereon (all of which are herein called "impositions"). Lessee may pay any imposition in installments, if payment may be so made without penalty, and Lessee shall make all such installment payments when due through the duration of the Term or Renewed Term, as applicable. All impositions for the tax year in which this Lease shall commence or terminate shall be apportioned between Lessee and Lessor as of the Commencement Date or the expiration date hereof, provided Lessee shall not be entitled to receive any such apportionment upon the termination hereof if Lessee shall be in default in the performance of any of Lessee's covenants, agreements and undertakings to be performed by it hereunder.

(b) Lessee shall furnish to Lessor for its inspection, within thirty (30) days after the date any amount is payable by Lessee as provided in this paragraph, official receipts of the appropriate taxing authority or other proof reasonably satisfactory to Lessor evidencing payment of impositions.

(c) Nothing contained in this Lease shall require Lessee to pay any franchise, corporate, estate, inheritance, succession, capital levy or transfer tax of Lessor or any income, profits or revenue tax or any other tax, assessment, charge or levy upon the Rent payable by Lessee under this Lease; provided, however, that if at any time during the Term of this Lease, under the laws of the State of New Mexico or any political subdivision thereof, a tax on rents is assessed against Lessor or the Rent, as a substitution in whole or in part for or in addition to ad valorem or real property taxes assessed by such State or political subdivision on the Leased Property or any part thereof, such tax shall be deemed to be included within the amount which Lessee is required to pay under this paragraph; and provided, further, that in no event shall Lessee be obligated to pay for any year any greater amount by way of such substitute or additional tax than would have been payable by Lessor by way of such substitute or additional tax had the Rent upon which such tax was imposed been the sole taxable income of Lessor for the year in question.

(d) Lessee shall not be required to pay, discharge or remove any imposition so long as Lessee shall contest the amount or validity of such imposition by appropriate proceeding which shall operate to prevent or stay the collection of the imposition so contested. During such contest, Lessor shall have no right to pay the imposition contested except as provided herein. Upon the termination of such proceeding, Lessee shall deliver to Lessor proof of the amount of the imposition as finally determined and proof that Lessee has paid such imposition. Lessee shall give Lessor written notice of any such contest and Lessor, at Lessee's sole expense, shall join in any such proceeding if any law, rule or regulation at the time in effect shall so require. Any proceeding for contesting the validity or amount of any imposition, or to recover any imposition paid by Lessee, may be brought by Lessee in the name of Lessor or in the name of Lessee, or both, as Lessee may deem advisable. Lessor shall not be subjected to any liability for the payment of any costs or expenses in connection with any proceedings and Lessee will indemnify and save Lessor harmless from any such costs and expenses.

(e) If Lessee shall default in the payment of any imposition required to be paid hereunder by Lessee, Lessor shall have the right (but not the obligation) to pay the same together with any penalties and interest, in which event the amount so paid by Lessor shall be paid by Lessee to Lessor upon demand with interest from demand until payment at the rate of ten percent (10%) per annum or at the maximum rate permitted to be charged to Lessee under applicable law, whichever is less.

4. Insurance.

(a) Lessee at its sole cost and expense shall keep the Leased Property insured throughout the Term of this Lease against loss or damage by fire and such other risks as may be included in the broadest form of extended coverage insurance for its full replacement value. The term "full replacement value" shall mean the actual replacement cost, exclusive of costs of excavations, foundations and footings, but without deduction for depreciation. Such full replacement value shall be determined from time to time (but not more frequently than once in any 60 calendar months) at the request of Lessor by an appraiser, engineer, architect or contractor designated by Lessee and approved in writing by Lessor (such approval not to be unreasonably withheld), all at the sole expense of Lessee. No omission on the part of Lessor to request any such determination shall relieve Lessee

of any of its obligations under this paragraph. Lessor shall be included as a loss payee on all insurance policies required hereby.

(b) Lessee shall, at its sole cost and expense, procure and maintain through the Term of this Lease Commercial General Liability insurance against claims for personal injury or death and property damage occurring in or upon or resulting from the Leased Property, in standard form and with such insurance company or companies as may be acceptable to Lessor, such insurance to afford immediate protection, to the limit of not less than \$1,000,000 in respect of any one accident or occurrence, and to the limit of not less than \$100,000 for property damage, with not more than \$5,000 deductible. Such Comprehensive General Liability insurance shall include Blanket Contractual Liability coverage which insures contractual liability under the indemnification of Lessor and its affiliates by Lessee set forth in this Lease (but such coverage or the amount thereof shall in no way limit such indemnification). Lessee shall maintain with respect to each policy or agreement evidencing such Commercial General Liability insurance such endorsements as may be required by Lessor and shall at all times deliver and maintain with Lessor a certificate with respect to such insurance in form satisfactory to Lessor. Lessor shall be a named or additional insured under all insurance policies required hereby.

(c) All insurance provided for in this Lease shall be effected under enforceable policies issued by insurers of recognized responsibility licensed to do business in the State of New Mexico and approved by Lessor, such approval not to be unreasonably withheld. Upon the execution of this Lease, and thereafter not less than thirty (30) days prior to the expiration dates of the expiring policies theretofore furnished pursuant to this paragraph, originals or certified copies of the policies bearing notations evidencing payment of the premiums, or accompanied by other evidence satisfactory to Lessor of such payment, shall be delivered by Lessee to Lessor.

(d) Each such policy provided for in this paragraph shall contain an agreement by the insurer that such policy shall not be cancelled amended or materially changed without at least thirty (30) days prior written notice to Lessor and an agreement that any loss otherwise payable thereunder shall be payable notwithstanding any act of negligence of Lessor or Lessee which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment and notwithstanding (i) the occupation or use of the Leased Property for purposes more hazardous than permitted by the terms of such policy, (ii) any foreclosure or other action or proceeding taken pursuant to any provision of any mortgage upon the happening of an event of default thereunder or (iii) any change in title or ownership of the Leased Property.

(e) Lessor shall not be required to prosecute any claim against or contest any settlement proposed by any insurer provided that Lessee may at its expense prosecute any such claim or contest any such settlement. In such event, Lessee may bring such prosecution or contest in the name of Lessor, Lessee or both, and Lessor will join therein at Lessee's written request upon the receipt by Lessor of an indemnity from Lessee against all costs, liabilities and expenses in connection with such prosecution or contest.

(f) If Lessee shall default in the obtaining or maintaining of any insurance required hereunder, Lessor shall have the right (but not the obligation) to take whatever action is necessary and to pay all appropriate premiums to obtain or maintain such insurance, in which event any amount paid for premiums by Lessor shall be paid by Lessee to Lessor upon demand.

5. Improvements, Alterations, Maintenance and Repairs.

(a) No improvements, alterations, or additions in or about the Leased Property, except for those whose total cumulative expense per year is less than \$25,000, may be undertaken by Lessee without Lessor's prior written consent, which consent shall not be unreasonably withheld. Such consent, if given by Lessor, shall be subject to the condition that any and all improvements, alterations, and additions shall be done at Lessee's own expense and in accordance with all applicable municipal, state, and federal laws, rules, regulations, and ordinances. Any and all improvements, alterations or additions are subject to the use restrictions described in paragraph 9.

(b) Lessor is the owner of all improvements located on the Leased Premises which as of the Commencement Date include a building with approximately 64,000 square feet (such building and other existing improvements, the "Building"). Lessor and Lessee agree that as of the Commencement Date the Building has a value of not less than \$1,600,000. In the event any improvements or alterations result in the alteration or partial or total destruction or removal of the Building without replacement with improvements of equal or greater value, Lessee shall, as a condition precedent to Lessor's consent, pay Lessor the value of the destroyed or removed portion of the Building.

(c) Within 5 years from the date hereof, Lessee agrees to pay for and make improvements to the Leased Property in an amount not less than \$1,300,000.

(d) Prior to commencement of construction of any improvements, Lessee shall furnish to Lessor at Lessee's expense:

(i) true copies of all instruments evidencing or securing any indebtedness incurred or to be incurred to construct such improvements or to refinance such indebtedness on a long-term basis, or any commitment or loan agreement relating to any of the foregoing and which create a lien or encumbrance on the Leased Premises (hereinafter collectively called the "Loan Instruments"), it being agreed however, that Lessor is not obligated to approve or consent to any liens or encumbrances of the Leased Premises or any portion thereof;

(ii) a true copy of such building permit for the construction of such improvements and such other evidence as Lessor may reasonably require of compliance of such construction with all applicable laws, ordinances, rules, regulations and other legal requirements;

(iii) with respect to each such construction reasonably estimated to cost in excess of \$100,000, a payment and performance bond covering the construction of such improvements, complying with all legal requirements, and in form and substance and in an amount and from a surety, all reasonably satisfactory to Lessor.

(e) Lessee shall promptly commence the construction of such improvements and shall diligently pursue such construction to completion and shall supply such moneys and perform such duties as may be necessary to complete the construction of such improvements in accordance with good building practice and in full compliance with all terms and conditions of the Loan Instruments and shall complete such construction in the above manner without liens, claims or assessments (actual or contingent) asserted against the Leased Property for any material, labor or other items furnished in connection therewith unless approved by Lessor, and all in full compliance with all construction, use, building, zoning, health, environmental and other similar requirements of any governmental entity having jurisdiction. Lessee will provide to Lessor upon request therefor evidence of satisfactory compliance with all of the foregoing.

(f) In addition to the other insurance required under this Lease, during the construction of any such improvements, Lessee will obtain and maintain (i) builder's completed value risk and such other hazard insurance as Lessor may reasonably require against all risks of physical loss including collapse and transit coverage, with deductibles not to exceed \$25,000, showing Lessor as an additional insured, such insurance to be in such amounts covering the total value of work performed and equipment, supplies and materials furnished and in such form and by such companies as shall be approved by Lessor and (ii) worker's compensation insurance as required by the laws of the State of New Mexico, and shall provide Lessor with certificates evidencing all of the above.

(g) Except as otherwise provided in the Indemnity Agreement (as defined in Paragraph 35 of this Lease), throughout the Term of this Lease, Lessee shall, at Lessee's sole cost and expense, maintain the Leased Property in first class condition and repair and in accordance with all applicable laws, rules, ordinances, orders and regulations of federal, state, county, municipal and other governmental entities having jurisdiction and all applicable rules, orders and regulations of the insurance underwriting board having or claiming jurisdiction and all insurance companies insuring all or any part of the Leased Property. Lessee shall, at Lessee's sole cost and expense, diligently and promptly make or cause to be made all necessary repairs and replacements to the Leased Property to maintain or comply as above, interior and exterior, structural and nonstructural, ordinary and extraordinary and foreseen and unforeseen. The completed work of maintenance, repair, restoration or replacement shall be in quality, class and value at least equal to the original work. Except as otherwise provided in the Indemnity Agreement, Lessor shall not be required to furnish any services or facilities or make any repairs to the Leased Property. Except as otherwise provided in the Indemnity Agreement, Lessee hereby assumes full and sole responsibility for the condition, operation, repair, replacement, maintenance and management of the Leased Property. However, on default of Lessee in making such repairs, Lessor may, but shall not be required to, make such repairs for Lessee's account and the reasonable expense thereof shall constitute additional rent which shall be paid by Lessee to Lessor on demand.

(h) Lessee will not permit any mechanic's lien or liens to be placed upon the Leased Property during the Term hereof caused by or resulting from any work performed, materials furnished or obligation incurred by or at the request of Lessee and nothing in this Lease contained shall be deemed or construed in any way as constituting the consent or request of Lessor, express or implied, by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement, alteration or repair of or to the Leased Property or any part thereof, nor as giving Lessee any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any mechanic's or other liens against the interest of Lessor in the Leased Property. In the case of the filing of any lien on the interest of Lessor or Lessee in the Leased Property, Lessee shall cause the same to be discharged of record within thirty (30) days after the filing of same. If Lessee shall fail to discharge such mechanic's lien within such period, then, in addition to any other right or remedy of Lessor, Lessor may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit in court or bonding. Any amount paid by Lessor for any of the aforesaid purposes, or for the satisfaction of any other lien, not caused or claimed to be caused by Lessor, and all reasonable legal and other expenses of Lessor, including reasonable counsel fees, in defending any such action or in or about procuring the discharge of such lien, with all necessary disbursements in connection therewith, shall be paid by Lessee to Lessor on demand.

(i) At the expiration of the Term of this Lease, as set forth herein or as sooner terminated as provided herein, all improvements on and forming a part of the Leased Property shall, without compensation to Lessee, then become the property of Lessor free and clear of all claims to or against such improvements by Lessee or any third person, and Lessee shall indemnify Lessor against any and all loss, liability, damages, actions, cost or expense (including reasonable attorney's fees) incurred by Lessor as a result of any such claims or resulting from Lessor's exercise of the rights granted by this subparagraph (i). At such termination or expiration, Lessee shall have the right to remove any personal property and trade fixtures placed or installed by Lessee on the Leased Property, subject to Lessee's obligation to repair any damage caused by such removal.

(j) Lessee hereby leases the Property in its present condition "AS IS" and "WITH ALL FAULTS". Lessee hereby acknowledges that it has not relied upon any implied or express warranties of Lessor or Lessor's agents in connection with the Property or its lease. Except as provided in the Indemnity Agreement, Lessee hereby waives and releases Lessor from any and all liability, claims, cost or expense in any way relating to or arising from any investigation, monitoring, containment, or cleanup of any environmental condition of the Property.

6. Fire or Other Casualty Loss. In the event all or any portion of the Leased Property is damaged or destroyed by fire or other casualty, (i) Lessee shall give immediate notice thereof to Lessor; (ii) Lessee shall not be entitled to terminate this Lease, to violate any of its provisions or to any abatement in Rent then due or thereafter becoming due under the terms hereof; and (iii) Lessee may (but is not required to), at Lessee's sole cost and expense and regardless of whether the insurance proceeds, if any, shall be sufficient for the purpose, restore, repair, replace and rebuild the Leased

Property at least to its value, condition and character at Commencement Date of this Lease, in accordance with the provisions of Paragraph 5. In the event any damaged or destroyed portions of the Leased Property, are not replaced, restored, rebuilt or repaired, Lessee shall pay Lessor the value of the damaged or destroyed portions of the Leased Property, as well as the value of any improvements not made, based on the Leased Property's condition, character and value as improved pursuant to paragraph 5(c), above. If Lessee elects to restore, rebuild, repair or replace the damaged or destroyed portion of the Leased Property, Lessor shall cooperate to make available to Lessee the insurance proceeds related to such damage or destruction required for payment of the costs of restoration, repair, replacement and rebuilding of Leased Property.

7. Waiver of Subrogation. Each party hereto hereby waives any and every claim which arises or may arise in its favor and against the other party hereto during the Term of this Lease or any extension or renewal thereof for any and all loss of, or damage to, any of its property which loss or damage is covered by valid and collectible fire and extended coverage insurance policies, to the extent that such loss or damage is recovered under said insurance policies. Said waivers shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss or damage to property of the parties hereto. Inasmuch as the above mutual waivers will preclude the assignment of any aforesaid claim by way of subrogation (or otherwise) to any insurance company (or any other person), each party hereto hereby agrees immediately to give to each insurance company which has issued to it policies of fire and extended coverage insurance written notice of the terms of said mutual waivers, and to have said insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of said waivers.

8. Condemnation.

(a) In the event the Leased Property, or any part thereof, is condemned, taken or appropriated by any public or quasi-public authority under any statute or by right of eminent domain, this Lease shall automatically terminate as to the part so taken, as of the date of appropriation. The monthly rent for the Leased Property shall be reduced in the proportion that the remaining surface area of the Leased Property bears to the total surface area of the Leased Property before the public taking. All damages and payments resulting from the taking for public or quasi-public use of the Leased Property shall accrue to and belong to Lessor, and Lessee shall have no right to any part thereof.

(b) The party receiving any notice of the kinds specified below shall promptly give the other party notice of the receipt, contents and date of the notice received:

(i) Notice from any governmental entity or agency of any intended taking of all or any part of the Leased Property by power of condemnation;

(ii) Service of any legal process relating to condemnation of the premises or improvements;

(iii) Notice in connection with any proceedings or negotiations with respect to such a condemnation; or

(iv) Notice of intent or willingness to make or negotiate a private purchase, sale or transfer in lieu of condemnation.

(c) Lessor shall have the exclusive right to represent the interests of Lessor and Lessee in each proceeding or negotiation with respect to a taking or intended taking by power of condemnation and to make full proof of its claims. No agreement, settlement, sale, or transfer to or with the condemning authority shall require the consent of Lessee. Lessor and Lessee each agrees to execute and deliver to the other any instruments that may be required to effectuate or facilitate the provisions of this Lease relating to condemnation.

9. Use of Leased Property. Lessee shall use the Leased Property solely for the purpose of operating an automobile dealership in accordance with the terms of this Lease and for no other purpose without first obtaining the written consent of Lessor. Lessee shall not use, occupy or permit the Leased Property to be used or occupied in any manner that is in violation of any present or future municipal, state, or federal laws, rules, regulations, or ordinances. Lessee shall not use the Leased Property nor permit the Leased Property to be used for any unlawful business, use or purpose nor in violation of any present or future governmental law or regulation. Without limiting the generality of the foregoing, Lessee shall not allow any subsurface penetration to the sump area, the old drum storage area or vapor extraction facilities area of the Leased Premises as shown on Exhibit E, including, without limitation, the installation or use of any underground storage tanks on or near the Leased Premises. Furthermore, Lessee has no right of access to or use of that portion of the Leased Property outside of the Use Boundary delineated on Exhibit E as the Non-Use Area, until such time and unless Lessor gives written notice that the Non-Use Area is no longer needed for remediation purposes. Such written notice shall not be unreasonably withheld upon Lessee's request to commence use of the Non-Use Area. On all other areas designated within the Use Boundary on Exhibit E, Lessee may penetrate the surface to a depth no greater than ten feet below grade for purposes consistent with this Lease. Lessee shall at its own expense obtain any and all governmental licenses and permits necessary for its use of the Leased Property. Except as provided in the Indemnity Agreement, Lessee assumes all risks associated with the lease and use of the Property by Lessee, its agents, invitees, licensees, and employees.

10. Assignment and Subletting.

After 90 days prior written notice to Lessor, Lessee and its successors and assigns may assign this Lease or sublet the Leased Property or any part thereof without Lessor's prior written consent. Any such assignment or subletting shall not operate to discharge Lessee from its liability upon the agreements of this Lease, and Lessee shall remain liable, as principal and not as guarantor or surety, for the full and complete performance of all the terms and conditions contained herein, to the same extent as though no assignment or sublease had been made. All assignees and sublessees shall be bound by all of the terms and conditions of this Lease. Approval by Lessor of a modification of use

of the Leased Property, or portion thereof, that is otherwise permissible under applicable law, including zoning, will not be unreasonably withheld.

11. Compliance with Laws. Except as otherwise provided in the Indemnity Agreement, Lessee, at its sole expense, shall comply with all laws, orders and regulations of federal, state and municipal authorities and with any direction of any public officer pursuant to law which shall impose any duty upon Lessor or Lessee with respect to the Leased Property. Lessee shall comply with the requirements of policies of fire and extended coverage at any time in force with respect to the Leased Property. Without diminishing the obligation of Lessee, if Lessee shall at any time fail to comply as promptly as reasonably possible with any law, ordinance, rule or regulation concerning or affecting the Leased Property, or the use and occupation thereof, Lessor, after ten (10) days written notice to Lessee, may so comply and the reasonable costs and expenses of Lessor in such compliance shall constitute additional rent which shall be paid by Lessee to Lessor on demand.

12. Surrender Upon Termination. Lessee shall, at the expiration or earlier termination of the Term of this Lease, surrender to Lessor the Leased Property free of liens and subtenancies and in good condition and repair, reasonable wear and tear excepted and shall deliver to Lessor all keys to the Leased Property, and, if such possession is not immediately surrendered, Lessor may forthwith enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said premises, or any part thereof, by force, if necessary, without having any civil or criminal liability therefor. All personal property owned by Lessee which is located on the Leased Property may be removed by Lessee at the termination of this Lease provided that Lessee is not at that time in default under this Lease. All such removals shall be accomplished in a good workmanlike manner so as not to damage the Leased Property or the primary structure or structural qualities of the Leased Property or the plumbing, electrical lines or other utilities. All such personal property not promptly removed after such termination shall thereupon be conclusively presumed to have been abandoned by Lessee and Lessor may take over the possession of such property and declare same to be the property of Lessor by written notice thereof to Lessee.

13. Utilities. Lessor shall not be required to furnish to Lessee any facilities or services of any kind, including, but not limited to, water, steam, heat, gas, hot water, electricity, light, power or air conditioning and Lessee agrees to pay all charges for any of the foregoing prior to delinquency.

14. Lessor's Right of Access.

(a) Lessor and its representatives shall have the right, exercisable without notice and without liability to Lessee for damage or injury to property, persons or business and without effecting an eviction, constructive or actual, or disturbance of Lessee's use or possession or giving rise to any claim for set-off or abatement of rent to enter upon the Leased Property at any reasonable time for the purpose of making inspections or performing any work which Lessor elects to undertake reasonably necessary to protect Lessor's interests (but without any obligation to do so), made necessary by reason of Lessee's default under the terms of this Lease.

(b) In addition to the foregoing, Lessor, its agents, servants or employees, shall have access to the Leased Property as provided in the Declaration and Reservation Pertaining to Access, Maintenance, and other Matters (the "Declaration") in the form attached hereto as Exhibit B which shall be executed and recorded prior to the Commencement Date. Lessee's rights under this Lease and the option to purchase set forth in Paragraph 22 hereof shall be and remain subject to the terms, conditions, benefits, and burdens set forth in the Declaration. Lessee agrees that: (i) the rights granted under the Declaration shall be superior to Lessee's rights under this Lease and in and to the Property; (ii) the existence or exercise of such rights shall not constitute a breach or default by Lessor under this Lease or entitle Lessee to cancel this Lease, except as provided in paragraph 14(c), below, or exercise any remedies in connection herewith or therewith; (iii) the Declaration shall not entitle Lessee to any compensation or other consideration of any kind, under this Lease or otherwise; (iv) Lessee hereby acknowledges and waives any claims, causes of action, rights to damage or other consideration of any kind that Lessee otherwise may have or may have had first, arising from Lessor's use and enjoyment of rights under the Declaration, and second any actual, alleged or suspected contamination at, on, in, under, of, from or in the vicinity of the Property, to the extent that Lessor indemnified Lessee in the Indemnity Agreement attached as Exhibit C, hereto. The provisions of this subparagraph (b) shall survive the termination or expiration of this Lease. Without limitation of the foregoing, the provisions contained in this subparagraph (b) shall continue in full force and effect in the event of and after the purchase of the Property by Lessee pursuant to this Lease or otherwise.

(c) In the event that Lessor's exercise of its rights under the Declaration shall cause substantial and material interference with Lessee's operation of its business on the South Parcel; then Lessee shall provide written Notice of Interference to Lessor thereof including specific details of the unacceptable aspects of such interference. Lessor may, but shall not be required to modify its exercise of rights in response to any such notice from Lessee. After receipt of notice if Lessor continues its exercise of rights for fifteen (15) days or more without modification of its activities to eliminate or to substantially curtail Lessee's objection; then Lessee shall be entitled no later than 45 (forty-five) days after receipt by Lessor of the Notice of Interference to give Notice of Termination to Lessor of Lessee's election to cause an early termination of this Lease to be effective at a date as specified in Lessee's Notice of Termination, but in no case later than one year from the date of Notice of Termination. If Lessee fails or elects not to give Notice of Termination within the period allowed, then Lessee shall have waived its objection specified in the Notice of Interference, no matter how long the specified interference may continue thereafter. However, if Lessor ceases the activities causing the interference and then, after the passage of at least 30 (thirty) days, commences substantially the same activities causing substantial and material interference, Lessee will have the right to renew or make a new objection in the form of a Notice of Interference. The remedies described in this paragraph 14(c) and in paragraph 2(c) of the Declaration are Lessee's sole and exclusive remedies for Lessor's exercise of its rights under the Declaration.

(d) This Lease is subject to Declaration of Covenant and Grant of Access Easement to Tract B-2, Adobe Wells Subdivision, dated July 7, 1999, attached hereto as Exhibit D ("Tract B-2 Easement"). Lessor and Lessee acknowledge that restriction no. 4 of the Tract B-2 Easement must be satisfied prior to Commencement of this Lease and therefore agree to submit for approval to the

City Engineer, within 30 days of the date hereof, the legal description of the access easement to Tract B-2, as mutually agreed by Lessor and Lessee, consistent with the Use Boundary shown on the Site Map attached hereto as Exhibit E.

15. Limitation on Liability of Lessor. Lessor shall not be liable for injury or damage to person or property arising from Lessee's occupancy of the Leased Premises or for any injury or damage occurring within the Leased Property unless such injury or damage is caused by or results from the negligence or willful malfeasance of Lessor or any of Lessor's agents, servants or employees.

16. Indemnification of Lessor.

(a) Lessee shall indemnify Lessor against all liability, expenses (including reasonable attorneys' fees), claims, actions, damages and losses incurred by Lessor as a result of (i) failure by Lessee to perform any covenant required to be performed by Lessee hereunder; (ii) any accident, injury or damage which shall happen in or about the Leased Property unless caused by or resulting from the negligence or willful malfeasance of Lessor or any of Lessor's agents, servants or employees; (iii) failure to comply with any requirements of any governmental authority (except as otherwise provided in the Indemnity Agreement); and (iv) any mechanic's lien, deed of trust, mortgage and security agreement or other security instrument filed against the Leased Property, any fixtures attached thereto or any materials used in the construction or alteration thereof. If any action or proceeding is brought against Lessor by reason of any such occurrences, Lessee, upon written notice from Lessor, will at Lessee's expense resist or defend any such action or proceeding by counsel approved in writing by Lessee, such approval not to be withheld unreasonably.

(b) To the extent if at all, Section 56-7-1 NMSA 1978 is applicable to the indemnity agreements contained in this Lease, the indemnity agreements will not extend to liability, claims, damages, losses or expenses, including attorney's fees, arising out of (1) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by Lessee, its agents or employees; or (2) the giving of or the failure to give directions or instructions by Lessee, its agents or employees, where such giving or failure to give directions or instructions is the primary cause of bodily injury to persons or damage to property.

17. Holding Over by Lessee. Should Lessee continue to hold the Leased Property after the expiration of the Term or sooner termination of this Lease, such holding over shall constitute and be construed as a tenancy at will only at 120% of the Rent provided herein, which rental shall be due and payable in advance on the first day of each calendar month; subject, however, to all of the terms, provisions, covenants and agreements on the part of Lessee hereunder. No payments of money by Lessee to Lessor after the termination of this Lease shall reinstate the Term of this Lease and no such reinstatement after the termination hereof shall be valid unless and until the same shall be reduced to writing and signed by both Lessor and Lessee.

18. Events of Default. The following events shall be deemed to be events of default by Lessee under this Lease:

(a) Lessee shall fail to pay any installment of the Rent hereby reserved or any other amount payable by Lessee to Lessor hereunder and such failure shall continue for a period of ten (10) days after written notice to Lessee.

(b) Lessee shall fail to comply with any term, provision or covenant of this Lease, other than the payment of Rent or any other amount payable by Lessee to Lessor hereunder, and shall not cure such failure within thirty (30) days after written notice thereof from Lessor to Lessee, except however, if it is unreasonable to cure such failure within thirty (30) days, Lessee shall be entitled to a reasonable time for such cure upon condition that Lessee shall commence efforts to cure within thirty (30) days after Lessor's written notice and shall diligently continue such efforts to cure until completion.

(c) Lessee shall become insolvent, or shall make a transfer in fraud of creditors, or shall make an assignment for the benefit of creditors, or shall commit any act of bankruptcy or shall make an assignment for the benefit of creditors, or Lessee shall admit in writing its inability to pay its debts as they become due.

(d) Lessee shall file a petition seeking protection from creditors under any section or chapter of the bankruptcy laws or under any similar law or statute of the United States or any State thereof, or shall be adjudged bankrupt or insolvent in proceedings thereunder and such adjudication shall not be set aside or stayed within sixty (60) days thereafter or a petition or answer proposing the adjudication of Lessee as a bankrupt or its reorganization under any present or future federal or state bankruptcy or similar law shall be filed in any court and such petition or answer shall not be discharged or denied within one hundred twenty (120) days after the filing thereof.

(e) A receiver or trustee shall be appointed for all or substantially all of the assets of Lessee or of the Leased Property or any of Lessee's property located thereon in any proceeding brought by Lessee, or any such receiver or trustee shall be appointed in any proceeding brought against Lessee and shall not be discharged within one hundred twenty (120) days after such appointment or Lessee shall consent to or acquiesce in such appointment.

(f) any of the events described in subparagraphs (c), (d) and (e) shall occur with respect to any general partner of Lessee

(g) The leasehold hereunder shall be taken on execution or other process of law in any action against Lessee.

19. Remedies Upon Default. If an event of default set forth in Paragraph 18 shall have occurred, Lessor shall have the right at its election, then or at any time thereafter while such event of default shall continue, to pursue any one or more of the following remedies:

(a) Lessor may terminate this Lease by giving written notice thereof to Lessee, in which event Lessee shall immediately surrender the Leased Property with all improvements thereon to Lessor and if Lessee fails so to do, Lessor may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Property and expel or remove Lessee and any other person who may be occupying said property, or any part thereof, by force, if necessary, without having any civil or criminal liability therefor, and Lessee hereby agrees to pay to Lessor on demand the amount of all loss and damage which Lessor may suffer by reason of such termination, whether through inability to relet the Leased Property on satisfactory terms or otherwise, specifically including, but not limited to (i) all reasonable expenses necessary to relet the Leased Property which shall include the cost of renovating, repairing and altering the Leased Property for a new tenant or tenants, advertisements and brokerage fees (all limited however to a prorata portion thereof equal to the unexpired term of this Lease then remaining divided by the full term of any such new lease) and (ii) any increase in insurance premiums caused by the vacancy of the Leased Property. If such termination is caused by the failure to pay rent and/or the abandonment of any substantial portion of the Leased Property, Lessor may elect, by sending written notice thereof to Lessee, to receive liquidated damages in an amount equal to the rental payable hereunder for the month during which this Lease is terminated times twelve (12) which shall be in lieu of the payment of loss and damage Lessor may suffer by reason of such termination as provided in the preceding sentence but which shall not be in lieu of or reduce in any way any amount (including accrued rent) or damages due to breach of covenant (whether or not liquidated) payable by Lessee to Lessor which accrued prior to the termination of this Lease. In addition, Lessee agrees to make payment to Lessor in the amount equal to the expense Lessee would have incurred in making the improvements described in and required by paragraph 5(c), above, that at the time of default Lessee has not made. Nothing contained in this Lease shall limit or prejudice the right of Lessor to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

(b) Lessor may enter upon and take possession of the Leased Property and expel or remove Lessee or any other person who may be occupying said premises, or any part thereof, by force, if necessary, without being liable for prosecution or any claim for damages therefor; and without terminating this Lease, Lessor may (but with exception for subparagraph (d), below shall be under no obligation to) relet the Leased Property for the account of Lessee, in the name of Lessee or Lessor or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent) and for such uses as Lessor in its absolute discretion may determine and Lessor may collect and receive any rents payable by reason of such reletting. Lessee agrees to pay to Lessor on demand all reasonable expenses necessary to relet the Leased Property which shall

include the cost of renovating, repairing and altering the Leased Property for a new lessee or lessees, advertisements and brokerage fees, (all limited however to a prorata portion thereof equal to the unexpired term of this Lease then remaining divided by the full term of any such new lease) and Lessee further agrees to pay to Lessor on demand any deficiency that may arise by reason of such reletting. Lessor shall not be responsible or liable for any failure to relet the Leased Property or any part thereof or for any failure to collect any rent due upon any such reletting. No such re-entry or taking of possession of the Leased Property by Lessor shall be construed as an election on Lessor's part to terminate this Lease unless a written notice of such termination is given to Lessee in accordance with the terms of this Lease. No repossession of or re-entering on the Leased Property or any part thereof pursuant to this subparagraph or otherwise and no reletting of the Leased Property or any part thereof pursuant to this subparagraph shall relieve Lessee of its liabilities and obligations hereunder, all of which shall survive such repossession or re-entering. In the event of any such repossession or re-entering on the Leased Property or any part thereof by reason of the occurrence of an event of default, Lessee will pay to Lessor the rent required to be paid by Lessee, subject to subparagraph (d) below.

(c) Enter upon the Leased Property, by force if necessary, without having any civil or criminal liability therefor, and, with or without such entry upon the Leased Property, do whatever Lessee is obligated to do under the terms of this Lease, and Lessee agrees to reimburse Lessor on demand for any expenses which Lessor may incur in thus effecting compliance with Lessee's obligations under this Lease and Lessee further agrees that Lessor shall not be liable for any damages resulting to Lessee from such action, unless caused by the negligence of Lessor.

(d) In exercising its remedies upon default, Lessor is under a duty to reasonably mitigate its losses and damages.

(e) No right or remedy herein conferred upon or reserved to Lessor is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. The failure of Lessor to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. The waiver of or redress for any violation of any term, covenant, agreement or condition contained in this Lease shall not prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. No express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated. A receipt by Lessor of any Rent or any other amount payable hereunder with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Lessor of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Lessor. In addition to other remedies provided in this Lease, Lessor shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of

this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Lessor at law or in equity.

20. Waiver by Lessee. Lessee hereby waives and surrenders for itself and all claiming by, through and under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have under any present or future constitution, statute or rule of law to redeem the Leased Property or to have a continuance of this Lease for the term hereby demised after termination of Lessee's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease, or after the termination of the Term of this Lease as herein provided, and (ii) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent, and (iii) the provisions of any law relating to notice and/or delay in levy of execution in case of eviction of a tenant for nonpayment of rent.

21. Option to Purchase.

(a) Lessor grants unto Lessee the exclusive right and option to purchase the Leased Property within the 30-day period beginning: (i) the 180th day prior to the expiration of the initial Term, or (ii) on the 180th day prior to the expiration of the Renewal Term, provided Lessee extended this Lease through the Renewal Term and further provided Lessee is not then in default hereunder. Such right and option must be exercised by written notice given by Lessee to Lessor at least 12 months prior to the expiration of the initial Term if the option is exercised prior to the expiration of the initial Term, or 12 months prior to the expiration of the Renewal Term if the option is exercised prior to the expiration of the Renewal Term. Lessee's exercise of the option to purchase granted herein shall be irrevocable except as provided in subparagraph (d) hereof and shall be binding on Lessee from and after the date that the option is exercised by written notice to Lessor.

(b) The purchase price for the Leased Property shall be in an amount equal to the "fair market value of the Leased Property" (as hereinafter defined). The purchase price shall be payable in cash at the closing.

(c) The term "fair market value of the Leased Property" shall mean the price at which the Leased Property, exclusive of all improvements undertaken by Lessee thereon after the date hereof including those required by paragraph 5(c) above, would be sold for cash by a willing seller not compelled to sell, to a willing buyer not compelled to buy, unencumbered, free and clear of all liens and this Lease, (i) provided, such price shall not be reduced or adjusted to take into account the environmental condition of the Leased Property or the existence of or rights under paragraph 9 above, the Indemnity Agreement or the Declaration, and (ii) provided, further, the value of the improvements on and comprising part of the Leased Property shall be deemed to have a value at least equal to the value of the Building as of the date hereof, as set forth in Paragraph 5(b) above. Such definition shall apply whether such value is agreed to by the parties or established in the appraisal process set forth in subparagraph (d) below.

(d) In the event that Lessor and Lessee have not agreed on the fair market value of the Leased Property within sixty (60) days after written notice has been given by Lessee to Lessor that

Lessee has exercised its option to purchase, such fair market value shall be determined by appraisal. Lessor and Lessee shall each appoint one (1) MAI appraiser with at least ten years' experience as a Member of the Appraisal Institute in the county where the Leased Premises are located and who has not been engaged by either party in the preceding five (5) years, and such appraisers shall in turn jointly choose another appraiser with the same qualifications. Each of the three named appraisers shall promptly determine the fair market value of the Leased Property (in accordance with the provisions of this Lease) and the average of the two appraisals closest in value will be the fair market value and shall be binding upon the parties. If Lessee is not willing to purchase the Leased Property at the value determined by this process, then Lessee shall be entitled to give notice thereof to Lessor within thirty (30) days after Lessee was advised of the value determined, with such notice to rescind Lessee's exercise of the Option. Notwithstanding Lessee's rescission of the exercise of the option, the total fees for the appraisals shall be split equally between the parties.

(e) At the closing, Lessor shall execute and deliver to Lessee a special warranty deed conveying to Lessee the Leased Property free and clear of all liens and encumbrances except those of record existing on the date of this Lease, as agreed between the parties based on the title search and report prepared as required by paragraph 1(b), or those created by Lessee (with Lessor's consent) during the term of this Lease, and any easements, rights of way liens or encumbrances hereafter created by or through Lessor at Lessee's request, against the payment of the cash consideration therefor, whereupon this Lease shall terminate and the leasehold estate of Lessee in the Leased Property shall merge with the fee title to the Leased Property, unless otherwise provided by instrument duly executed and acknowledged by Lessee and filed for record in the Office of the County Clerk of Bernalillo County, New Mexico, within thirty (30) days after the filing in such office of the executed special warranty deed. All Rent accruing up to, but not including, the date of closing shall be paid by Lessee to Lessor at the closing. The purchase price to be paid to Lessor, as provided herein, shall be a net amount to Lessor, and all expenses in connection with the transfer of the Leased Property, including, but not limited to, title insurance, recording fees, documentary stamps, and all other closing costs shall be divided equally between the parties.

(f) The Indemnity Agreement provided for in Paragraph 35 hereof, the Declaration provided for in Paragraph 14 hereof and the land use restrictions described in Paragraph 9 hereof shall survive the closing of the purchase of the Leased Property by Lessee.

22. Estoppel Certificates. Lessee agrees at any time and from time to time, upon not less than thirty (30) days prior written notice by Lessor, to execute, acknowledge and deliver, without charge, to Lessor, or to any person designated by Lessor, a statement in writing certifying that this Lease is unmodified (or if there have been modifications, identifying the same by the date thereof and specifying the nature thereof), that Lessee has not received any notice of default or notice of termination of this Lease (or if Lessee has received such a notice, that it has been revoked, if such be the case), that to the knowledge of Lessee no event of default exists hereunder (or if any such event of default does exist, specifying the same and stating that the same has been cured, if such be the case), that Lessee to its knowledge has no claims or offsets against Lessor hereunder (or if Lessee

has any such claims, specifying the same), and the dates to which the Rent and the other sums and charges payable by Lessee hereunder have been paid.

23. Recordation of Lease. Neither Lessor nor Lessee shall file for record this Lease however a memorandum hereof shall be recorded with the County Clerk.

24. Attorneys' Fees. Should either Lessor or Lessee institute any action or proceeding in court to enforce any provision hereof or for damages by reason of any alleged breach of any provision of this Lease or for any other judicial remedy, the prevailing party shall be entitled to receive from the losing party all court costs and reasonable attorneys' fees incurred in connection with such proceeding.

25. Landlord's Lien Rights. Lessor specifically waives any statutory Landlord's lien rights or claims of any kind under the provisions of this Lease with respect to any of Lessee's personal property, trade fixtures, new and used vehicle inventory, parts inventory and tools owned by third parties. At any time and from time to time, upon reasonable advance request from Lessee, Lessor agrees to execute and deliver a written recordable document to evidence Lessor's waiver of its Landlord's lien and related claims as set forth in this paragraph 25, subject however to Lessor's rights as provided in paragraph 12 hereof.

26. Notices. Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery, or (b) expedited delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, or (d) prepaid telegram (provided that such telegram is confirmed by expedited delivery service or by mail in the manner previously described), addressed as follows:

To Lessor: Sparton Technology, Inc.
4902 Rockaway Blvd.
Rio Rancho, NM 87124
Telephone: (505) 892-5300
Fax: (505) 892-5515

With Copy To: Sparton Corporation
General Counsel
2400 E. Ganson St.
Jackson, Michigan 49202
Telephone: (517) 787-8600
Fax: (517) 787-1822

To Lessee: Albuquerque Motors, Inc. d/b/a Melloy Dodge
1200 Lomas Blvd. NE
Albuquerque, NM 87102
Telephone: (505) 888-9600
Fax: (505) 881-6677

With Copy To: Patrick W. Hurley, Esq.
Hurley, Toevs Styles Hamblin & Panter PA
4157 Montgomery Blvd. NE
Albuquerque, NM 87109
Telephone: (505) 889-8844
Fax: (505) 889-8890

or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of telegram, upon receipt.

27. Entire Agreement. This Lease sets forth the entire agreement between the parties and no amendment or modification of this Lease shall be binding or valid unless expressed in a writing executed by all of the parties hereto.

28. Severability. Each and every covenant and agreement contained in this Lease is, and shall be construed to be, a separate and independent covenant and agreement. If any term or provision of this Lease or the application thereof to any person or circumstances shall be to any extent invalid, illegal, or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid, illegal, or unenforceable, shall not be affected thereby.

29. No Merger. There shall be no merger of this Lease or of the leasehold estate hereby created with the fee estate in the Leased Property or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Lease or the leasehold estate hereby created or any interest in this Lease or in such leasehold estate as well as the fee estate in the Leased Property or any interest in such fee estate.

30. Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

31. No Representations. Lessor or Lessor's agents have made no representations or promises with respect to the Leased Property except as herein expressly set forth and no rights, easements or licenses are acquired by Lessee by implication or otherwise except as expressly set forth in the provisions of this Lease.

32. Paragraph Headings. The paragraph headings contained in this Lease are for convenience only and shall in no way enlarge or limit the scope or meaning of the various and several paragraphs hereof.

33. Binding Effect. All of the covenants, agreements, terms and conditions to be observed and performed by the parties hereto shall be applicable to and binding upon their respective successors and, to the extent assignment is permitted hereunder, their respective assigns.

34. Real Estate Commissions. Each party hereto represents to the other that it has not authorized any broker or finder to act on its behalf in connection with this Lease and that it has not dealt with any broker or finder purporting to act on behalf of any other party. Each party hereto agrees to indemnify and hold harmless the other party from and against any and all claims, losses, damages, costs or expenses of any kind or character arising out of or resulting from any agreement, arrangement or understanding alleged to have been made by such party or on its behalf with any broker or finder in connection with this Lease or the transaction contemplated hereby.

35. Indemnity Agreement. This Lease is conditioned upon the execution and delivery of the Indemnity Agreement in the form attached hereto as Exhibit C.

36. Consent of Parties. Whenever this Lease requires the consent of a party hereto, such party shall not unreasonably deny or delay the granting of such consent.

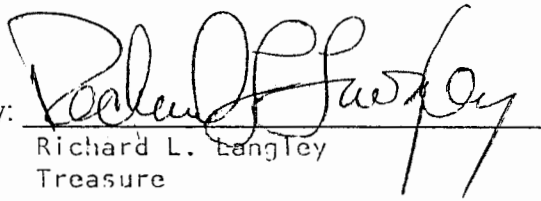
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IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease on the date first above written.

LESSOR:

SPARTON TECHNOLOGY, INC.

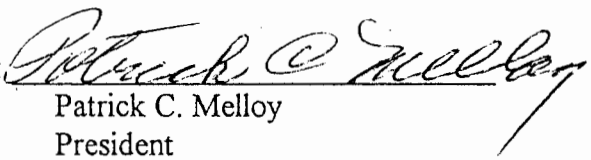
By:


Richard L. Langley
Treasurer

LESSEE:

ALBUQUERQUE MOTORS, INC.
d/b/a/ MELLODY DODGE

By:


Patrick C. Melloy
President

E:\90396071\Lease.fnl

EXHIBIT A

Beginning, for a tie, at the U.S.L.O. marker on the south boundary of the Town of Alameda Grant which is a point common to Section 13, Range 2 East, Township 11 North and Section 18, Range 3 East, Township 11 North, N.M.P.M., thence East of 1522.50' along the south boundary of the Town of Alameda Grant to a point on the western right of way of State Road 448, thence N 40° 40' E 3930.15' along the right of way of State Road 448 to the point of beginning, thence N 40° 40' E 660.00' along the right of way of State Road 448 to the northeast corner, thence N 55° 23' W 723.23' to the northwest corner, thence S 40° 40' W 793.63' to the southwest corner, thence S 65° 36' E 749.19' to the southeast corner and point of beginning. Said parcel containing 12.0 acres, more or less

Beginning for a tie, at the U.S.L.O. marker on the south boundary of the Town of Alameda Grant which is a point common to Section 13, Range 2 East, Township 11 North, and Section 18, Range 3 East, Township 11 North, N.M.P.M., Bernalillo County, New Mexico; Thence East 1522.50' along the south boundary of the Town of Alameda Grant to a point on the west right-of-way of State Road 448; Thence N. 40° 40' E 3616.70' along said right-of-way; Thence N 49° 20' W 1928.27' to the southeast corner and Point of Beginning of the parcel herein described; Thence N 40° 40' 100.00' to the northeast corner; Thence N 49° 20' W 100.00' to the northwest corner; Thence S 40° 40' W 100.00' to the southwest corner; Thence S 49° 20' E 100.00' to the southeast corner and Point of Beginning. Said parcel containing 0.23 acres, more or less

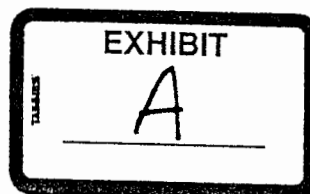


EXHIBIT B

DECLARATION AND RESERVATION PERTAINING TO ACCESS, MAINTENANCE, AND OTHER MATTERS

Sparton Technology, Inc., a New Mexico corporation ("Declarant"), is the owner in fee simple of the following described real property located in Bernalillo County, City of Albuquerque, State of New Mexico:

Beginning, for a tie, at the U.S.L.O. marker on the south boundary of the Town of Alameda Grant which is a point common to Section 13, Range 2 East, Township 11 North and Section 18, Range 3 East, Township 11 North, N.M.P.M., thence East of 1522.50' along the south boundary of the Town of Alameda Grant to a point on the western right of way of State Road 448, thence N 40° 40' E 3930.15' along the right of way of State Road 448 to the point of beginning, thence N 40° 40' E 660.00' along the right of way of State Road 448 to the northeast corner, thence N 55° 23' W 723.23' to the northwest corner, thence S 40° 40' W 793.63' to the southwest corner, thence S 65° 36' E 749.19' to the southeast corner and point of beginning. Said parcel containing 12.0 acres, more or less

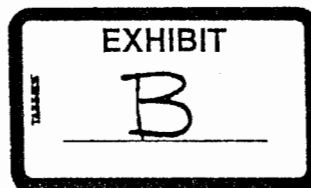
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(herein called the "Property"). Declarant desires to reserve certain rights and nonexclusive easements with respect to the Property, in perpetuity, for the purposes described herein.

Declarant intends to acquire or has acquired ownership of the following described real property located in Bernalillo County, State of New Mexico for the purpose of establishing, operating, and maintaining a containment well:

Tract B-2 of the Replat of Adobe Wells Subdivision, filed for record with the Bernalillo County Clerk, _____, 1999, at Book _____, Page _____, consisting of approximately 0.3034 acres

(herein called the "Containment Well Site"). Declarant desires to reserve certain rights and nonexclusive easements, in perpetuity, with respect to Containment Well Site for the purposes of described herein.



RESERVATION

1. Declarant hereby reserves unto itself, and its successors and assigns (including without limitation governmental or quasi-governmental authorities and their agents, employees, and designees) in perpetuity, a nonexclusive, perpetual easement over, across, and under the Property and Containment Well Site, for the purposes of installing, placing, locating, relocating, maintaining, repairing, replacing, removing, and otherwise managing and operating in any and every way, including rights of ingress and egress for such purposes (the foregoing, singularly and collectively, to "Operate"), such equipment, machinery, fixtures, apparatus, wells, pipelines, and other artifices and devices of every kind, owned by or under the control of Declarant and located or used at or in the vicinity of the Property or the Containment Well Site, at, on, above or under the surface of the Property or the Containment Well Site, permanently or temporarily, indefinitely or from time to time (the foregoing, singularly and collectively, the "System"), as is necessary or advisable in the opinion of Declarant, in its sole discretion, for purposes related to protection of the environment or to the impact of the environment on human health, arising from or related to the actual or suspected presence or release of pollutants, contaminants, or hazardous or toxic materials or substances at, on, above or under the surface of the Property, including evaluation of any risks or threats thereto, assessing, sampling, testing, studying, investigating, remediating or otherwise establishing or altering the condition of the Property or the Containment Well Site or the vicinity of the Property or the Containment Well Site, or complying with the requirements or recommendations of any court or any regulatory agency or any other governmental or quasi-governmental authority (the foregoing purposes, singularly and collectively, "Remediation").

2. Reference is hereby made to that certain Lease Agreement contemplated to be executed contemporaneously herewith between Declarant and Melloy Bros Enterprises, Inc., a New Mexico corporation ("Melloy"), with respect to the Property (the "Lease"). The Lease and all rights created by, through and under the Lease shall be subject and subordinate to this Declaration. Declarant's obligations and Melloy's rights under this paragraph 3: (i) shall automatically terminate upon expiration or termination of the Lease without further action by Declarant; and (ii) are personal to Melloy and shall not be binding upon Declarant with respect to any party other than Melloy.

(a) For the purpose of this paragraph 2, the Property is divided into a Non-Use Area containing approximately three acres on the northern boundary of the Property (the "Non-Use Area") and a Use Area containing approximately nine acres on the southern boundary of the Property (the "Use Area"), as more particularly identified on Exhibits A and E to Lease attached hereto and incorporated herein by this reference.

(b) During and after the term of the Lease, Declarant shall be entitled to unfettered access and use of the Non-Use Area for the purposes set out in this Declaration. Such access and use shall be at Declarant's sole discretion, without compensation to Melloy, Melloy hereby waiving any and all rights and remedies it otherwise has or may have in connection therewith.

(c) During and after the term of the Lease, the Declarant shall be entitled to unfettered access and use of the Use Area for the purposes set out in this Declaration. Such access and use shall be at Declarant's sole discretion. If during the term of the Lease, but not thereafter, such access or use causes substantial and material interference with the operations of Melloy's business on the Use Area, Melloy shall as its sole and exclusive remedies (all other rights and remedies Melloy has or may have in connection therewith being hereby waived) be entitled to exercise its rights (if any) under paragraph 14(c) of the Lease, and/or to recover from Declarant in judicial proceedings, subject to the limitations below, the actual damages incurred by Melloy as a result of such material interference. Melloy shall have the burden of proof of establishing substantial and material interference with Melloy's obligations and the amount of such actual damages. Notwithstanding the foregoing: (i) Declarant shall not be obligated for damages in excess of \$12,000 per month; and (ii) any

damages recovered by Melloy against Declarant shall be payable to Melloy solely in the form of a reimbursement by the Declarant of rent paid by Melloy to Declarant under the Lease after the date Melloy gives notice of, and during (but not after) any continuation of such material interference, Melloy hereby agreeing that it is not entitled to abate or offset the rental payments owed to Declarant even in the event of actual or alleged interference with the operations of Melloy's business.

3. Melloy and any other person or entity (other than Declarant) who has or hereafter acquires any interest in the Property or the Containment Well Site shall avoid and use all reasonable efforts to prevent others from engaging in any activities that might compromise Declarant's Remediation or Operation of the System pursuant to this Declaration.

4. Declarant may assign its rights and delegate its obligations related to or arising from the actions contemplated herein at any time and from time to time, including without limitation to consultants and contractors of Declarant, or to other third parties.

5. The benefit of the easements and reservations retained herein shall be considered in gross and personal to and for the sole benefit of Declarant and its successors and assigns, shall not be appurtenant to the Property, the Containment Well Site, or any other property of Declarant, and shall continue in perpetuity until terminated by a written instrument executed by Declarant (or its successor or assignee) and recorded in the records of Bernalillo County, New Mexico. The easements and reservations contained herein shall survive any lease, sale, encumbrance, transfer or other conveyance of the Property or the Containment Well Site or any portion thereof or interest therein. The burden of the easements and reservations retained herein shall run with and shall continue to burden the Property and the Containment Well Site following and notwithstanding the matters described in the preceding sentence. Nonuse of the easements and reservations retained herein shall not be deemed to be an abandonment and shall not be a basis for the termination of such easements and reservations. Upon termination of this Declaration, Declarant shall have no obligation to remove the System from the Property.

[The signature page follows]

IN WITNESS WHEREOF, this Declaration and Reservation Pertaining to Access, Maintenance and Other Matters is entered into as of October 15, 1999.

DECLARANT

Sparton Technology, Inc., a New Mexico corporation

By: Richard L. Langley
Richard L. Langley
Treasurer

STATE OF Michigan)
County of Jackson) ss

This instrument was acknowledged before me on the 15th day of October, 1999, by
Richard L. Langley,
Treasurer of Sparton Technology, Inc., a corporation, on behalf of said corporation.

Judith Ann Camp
Notary Public, State of Michigan
My Commission Expires: Notary Public, Jackson County, MI
My Commission Expires Nov. 6, 1999

EXHIBIT C

INDEMNITY AGREEMENT

This INDEMNITY AGREEMENT (the "Agreement") is entered into as of OCT 13, 1999, by and between SPARTON CORPORATION, a New Mexico corporation ("Indemnitor") and ALBUQUERQUE MOTORS, INC. d/b/a/ MELLODY DODGE, a New Mexico corporation ("Indemnatee")

Recitals

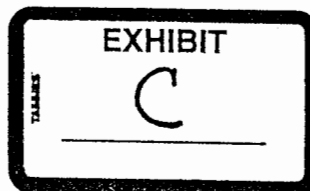
A. Reference is made to a Lease Agreement between Sparton Technology, Inc. ("Sparton"), as lessor, and Indemnatee, as lessee, dated as of OCT 13, 1999 (the "Lease") in which Sparton leased to Indemnatee and Indemnatee leased from Sparton the Leased Property, as therein defined:

B. This Indemnity Agreement is given pursuant to the Lease.

IN CONSIDERATION of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Indemnatee has leased the Leased Property subject to the terms of the Declaration and Reservation Pertaining to Access, Maintenance, and other Matters referenced therein.

2. During the term of the Lease, Indemnitor agrees to indemnify, defend and hold harmless Indemnatee (including for the purposes of this paragraph Indemnatee's assignees and successors permitted under the Lease) from and against any and all claims, causes of action, liabilities and obligations in favor of governmental or quasi-governmental authorities or private third parties that are asserted against or incurred by Indemnatee in connection with or arising out of contamination of the groundwater or soil of the Property as of the Commencement Date of the Lease (including in connection with or arising out of Sparton Technology, Inc. v. City of Albuquerque, CV 97 206 LH/JHG), together with reasonable attorneys' fees incurred by Indemnitor in connection therewith; provided, however, the foregoing agreement of Indemnitor to indemnify, defend and hold harmless shall not include any claims, causes of action, liabilities, obligations or attorneys' fees in connection with or arising out of (i) any action at the Property or breach of the Lease by, through, under or on behalf of Indemnatee; or (ii) the existence of, or the exercise of rights by Sparton Technology, Inc. (including for the purposes of this paragraph the assignees and successors of Sparton Technology, Inc.) ("Technology") under, Paragraph 14(c) of the Lease or the Declaration and Reservation Pertaining to Access, Maintenance, and Other Matters (the "Declaration") executed by Technology, Indemnatee hereby acknowledging and agreeing that its rights in connection with or arising out of Paragraph 14(c) of the Lease and/or the Declaration shall be limited as provided therein.



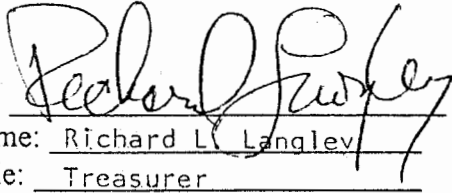
3. If Indemnatee notifies Indemnitor of any claim or action concerning matters for which Indemnitor is responsible pursuant to this Indemnity Agreement, Indemnitor shall assume on behalf of Indemnatee the investigation and defense thereof and the response thereto with counsel selected by Indemnitor, provided, that Indemnatee shall have the right to be represented by advisory counsel of its own selection and at its own expense.

4. The provisions of this Indemnity Agreement are intended for the benefit of, and shall be enforceable by Indemnatee and its permitted successors and assigns (if any) under the Lease. This Indemnity Agreement shall be construed in accordance with the laws of the State of New Mexico.

5. To the extent if at all, Section 56-7-1 NMSA 1978 is applicable to the indemnity agreements contained in this Agreement, the indemnity agreements will not extend to liability, claims, damages, losses or expenses, including attorney's fees, arising out of (1) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by Indemnatee, its agents or employees; or (2) the giving of or the failure to give directions or instructions by Indemnatee, its agents or employees, where such giving or failure to give directions or instructions is the primary cause of bodily injury to persons or damage to property.

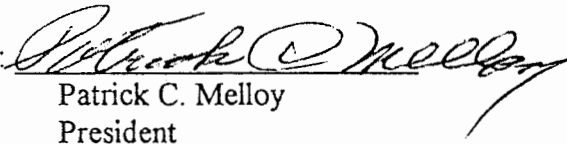
INDEMNITOR:

SPARTON CORPORATION

By: 
Name: Richard L. Langley
Title: Treasurer

INDEMNITEE:

ALBUQUERQUE MOTORS, INC.
d/b/a/ MELLODY DODGE

By: 
Patrick C. Melloy
President

DECLARATION OF COVENANT AND
GRANT OF ACCESS EASEMENT TO TRACT B-2, ADOBE WELLS SUBDIVISION

This Declaration of Covenant and Grant of Access Easement ("Access Easement") is made by Sparton Technology, Inc., a New Mexico corporation, hereinafter referred to as "Grantor," this 7th day of July, 1999. Grantor owns the real property adjoining Coors Road consisting of a total of 12.23 acres, more or less, comprised of two parcels more particularly described as follows:

Beginning, for a tie, at the U.S.L.O. marker on the south boundary of the Town of Alameda Grant which is a point common to Section 13, Range 2 East, Township 11 North and Section 18, Range 3 East, Township 11 North, N.M.P.M., thence East of 1522.50' along the south boundary of the Town of Alameda Grant to a point on the western right of way of State Road 448, thence N 40° 40' E 3930.15' along the right of way of State Road 448 to the point of beginning, thence N 40° 40' E 660.00' along the right of way of State Road 448 to the northeast corner, thence N 55° 23' W 723.23' to the northwest corner, thence S 40° 40' W 793.63' to the southwest corner, thence S 65° 36' E 749.19' to the southeast corner and point of beginning. Said parcel containing 12.0 acres, more or less.

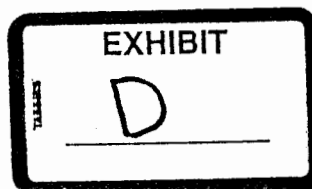
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(Collectively herein referred to as the "Sparton Coors Property")

Grantor is also acquiring ownership of real property to be known as the Containment Well Site and more particularly described as follows:

Tract B-2 of the Replat of Adobe Wells Subdivision ("Tract B-2"), filed for record with the Bernalillo County Clerk, _____, 1999, at Book _____, Page _____, consisting of 0.3034 acres.

Grantor covenants and warrants that it is the fee simple owner of the Sparton Coors Property, that it has all the requisite authority and lawful right to convey this Access Easement and that it will warrant and defend the title to and validity of the Access Easement until it terminates.



By this instrument, Grantor covenants and grants the Access Easement for the benefit of Tract B-2 from Coors Blvd. to Tract B-2 across the Sparton Coors Property, with an easement width of 20 (twenty) feet and following a reasonably direct course across the Sparton Coors Property, subject to the following restrictions:

1. The Access Easement created hereby is limited to the purpose of carrying out groundwater remediation activities on Tract B-2 and Grantor shall bear the responsibility of maintaining the physical condition of the Access Easement to permit ingress to and egress from Tract B-2.
2. Exercise of the Access Easement shall be to the extent minimally reasonably necessary to carry out its purposes and thereby limiting the infringement, encroachment or inconvenience imposed on the activities and uses of the Sparton Coors Property as much as reasonably and practically possible.
3. If the Sparton Coors Property is approved by the City of Albuquerque as platted land, the precise legal description and scope of the easement shall be determined at that time.
4. If restriction no. 3 above has not yet been satisfied and Sparton intends to lease or convey the Sparton Coors Property, the Access Easement will be more particularly described at that time and approved by the City Engineer
5. The Access Easement may not be terminated without the written approval of the City Engineer.

This Access Easement shall terminate upon the earliest of the following: (1) occurrence of restriction number 3 above; (2) establishment and granting of a specifically described easement across the Sparton Coors Property in replacement hereof approved by the City Engineer; or (3) establishment of other access to the Tract B-2 in replacement hereof approved by the City Engineer.

This Declaration of Covenant and Grant of Easement shall run with the title to the Sparton Coors Property and Tract B-2 and shall inure to the benefit of the owners of Tract B-2.

WITNESS its hand and seal this 7th day of July, 1999.

SPARTON TECHNOLOGY, INC.

By: Richard D. Mico
Richard D. Mico, Vice President
and General Manager

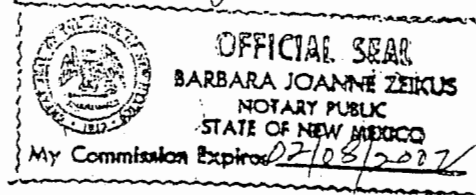
STATE OF NEW MEXICO)
) ss.
COUNTY OF SANDOVAL)

The foregoing instrument was acknowledged before me this 7 day of July, 1999, by Richard D. Mico on behalf of Sparton Technology, Inc.

Barbara Joanne Zeikus
NOTARY PUBLIC

My Commission Expires:

02/08/2002






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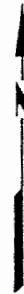
Kevin Curran
Assistant City Attorney

ACCEPTED:

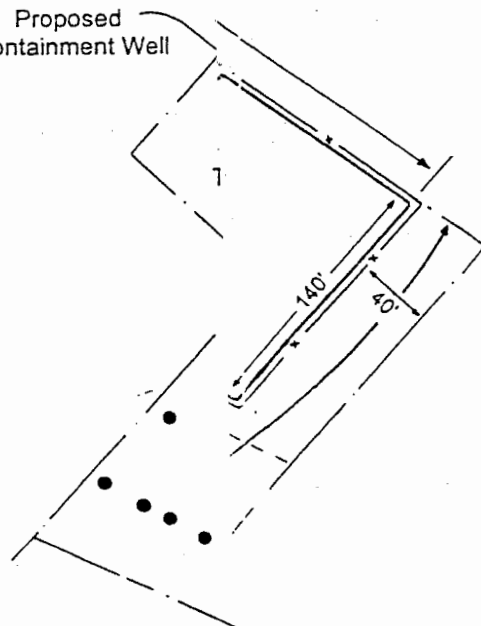
Fred J. Aguirre
City Engineer

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- Wells
-  Buildings
-  Proposed Pipeli
-  Areas Exciuded



Proposed
Containment Well



100



- Wells
- ▭ Buildings
- Proposed Pipeline
- ▨ Areas Excluded from Use Area

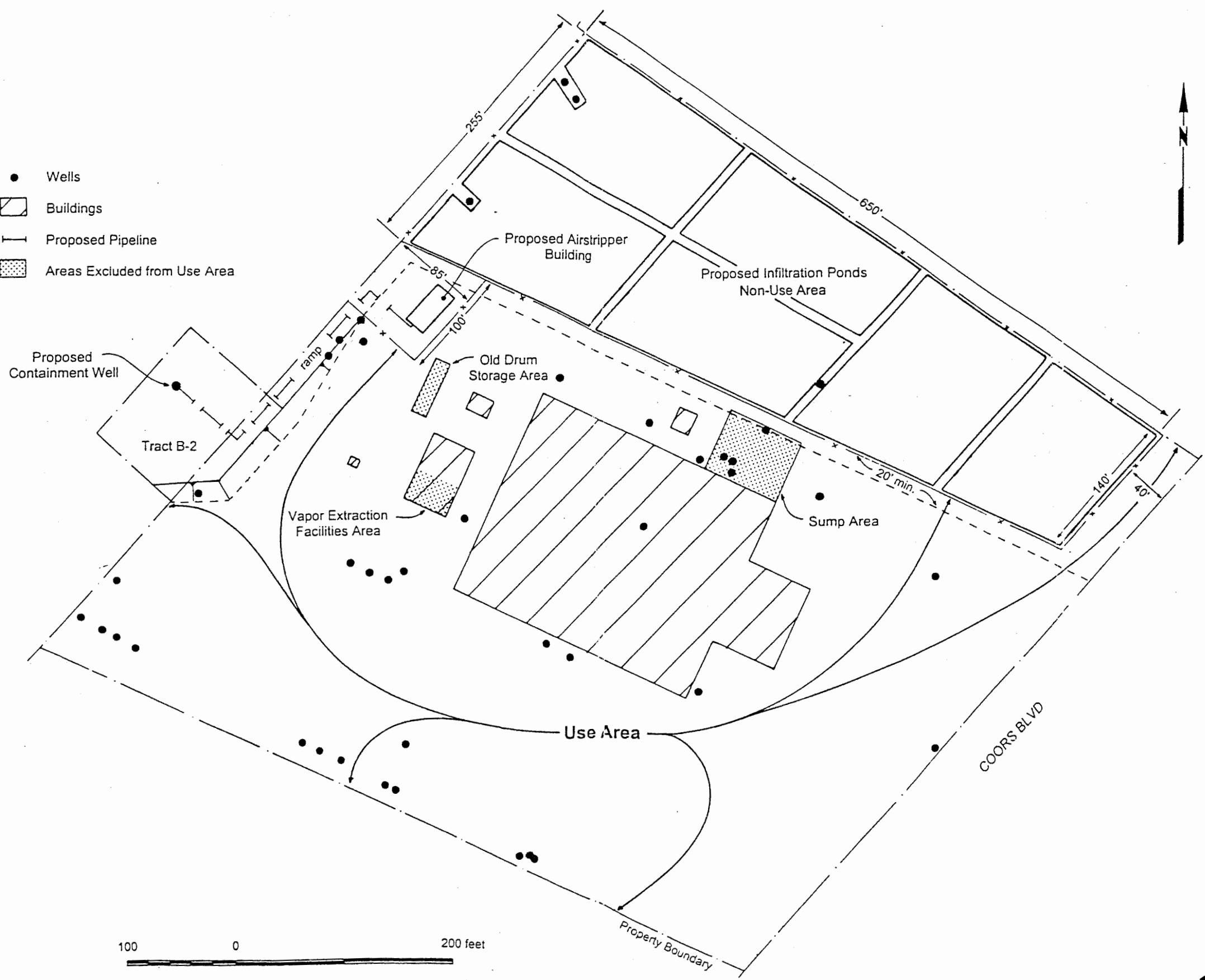


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DA