

GROUND LEASE AGREEMENT

THIS GROUND LEASE AGREEMENT ("Agreement") dated and effective as of APRIL 25, 2012 is between AeroVironment, Inc. ("AVI" or "Lessee"), and the City of Newport, a municipal corporation and political subdivision, ("Lessor").

For good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

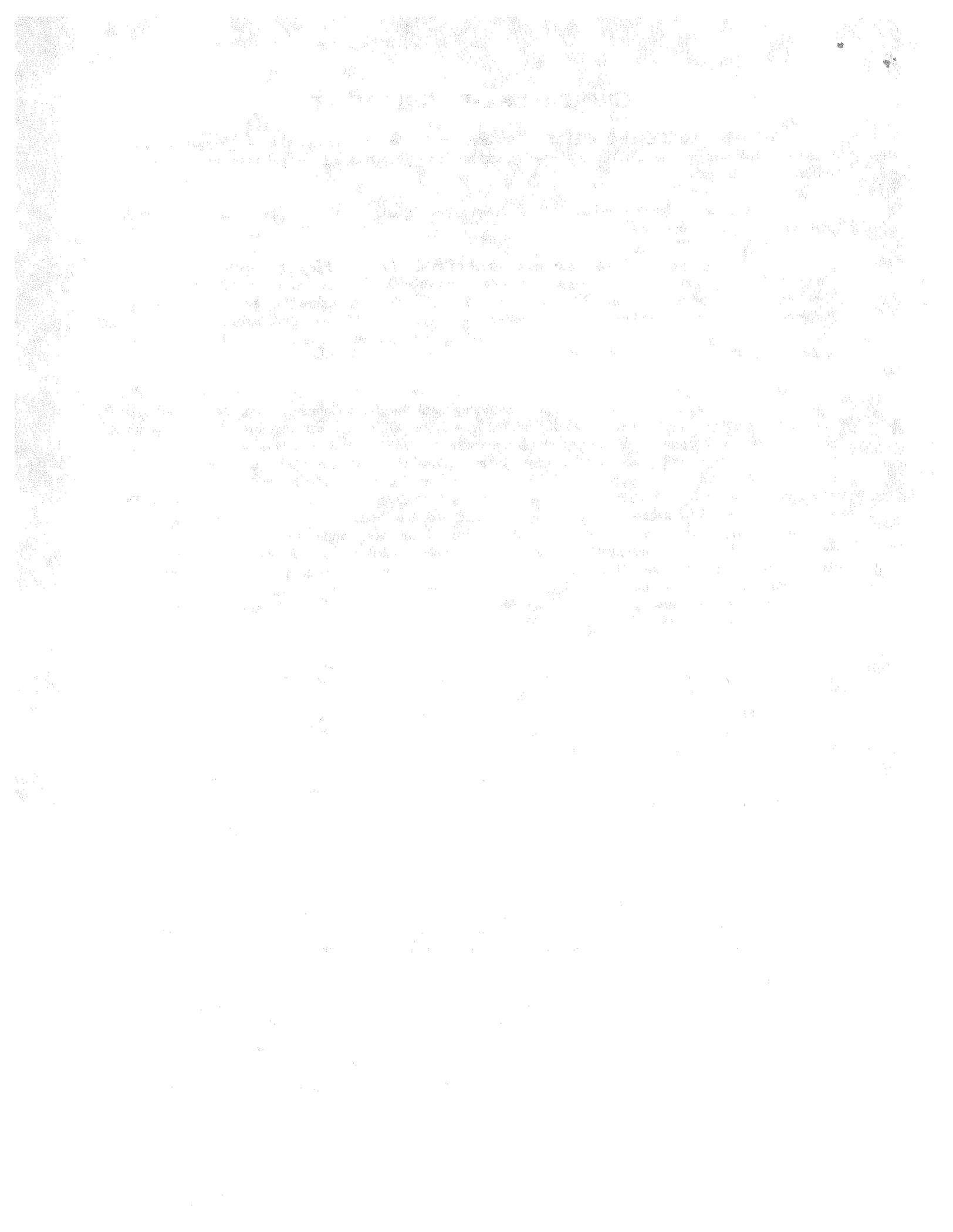
1. Premises. Lessor owns a parcel of land ("**Land or Property**") located in the City of Newport, County of Lincoln, State of Oregon, commonly known as 925 SW Hurbert Street (APN: 11-11-08-BD-13600-00). The Land is more particularly described in Exhibit A attached hereto. Subject to the provisions of Paragraph 2 below ("**Effective Date**"), Lessor hereby leases to AVI and AVI leases from Lessor approximately 520 square feet of space on the Land and all other access and utility easements necessary or desirable therefore (collectively, "**Premises**") as may be described generally in Exhibit B attached hereto.

2. Effective Date. This Agreement shall be effective on the date of full execution hereof ("**Effective Date**"). Beginning on the Effective Date and continuing until the Term Commencement Date as defined in Paragraph 4 below ("**Due Diligence Period**"), AVI shall only be permitted to enter the Property for the limited purpose of making appropriate engineering and boundary surveys and environmental tests, inspections, and other reasonably necessary investigations (collectively, "**Investigations and Tests**") that AVI may deem necessary or desirable to determine the physical condition, feasibility and suitability of the Premises. In the event that AVI determines, during the Due Diligence Period, that the Premises are not appropriate for AVI's intended use, or if for any other reason, AVI decides not to commence its tenancy of the Premises, then AVI shall have the right to terminate this Agreement without penalty upon written notice to Lessor at any time during the Due Diligence Period and prior to the Term Commencement Date. Lessor and AVI expressly acknowledge and agree that AVI's access to the Property during this Due Diligence Period shall be solely for the limited purpose of performing the Investigations and Tests, and that AVI shall not be considered an owner or operator of any portion of the Property, and shall have no ownership or control of any portion of the Property (except as expressly provided in this Paragraph 2), prior to the Term Commencement Date.

3. Use. The Premises may be used by Lessee for any lawful activity in connection with the provisions of electrical automobile charging services, including the maintenance and operation of related facilities. Lessor agrees, at no expense to Lessor, to cooperate with Lessee, in making application for and obtaining all licenses, permits and any and all other necessary approvals that may be required for Lessee's intended use of the Premises. To the extent Lessor is the licensing or permitting authority, Lessor makes no representations or guarantees as to Lessee's ability to obtain any necessary license or permit.

4. Term. The term of this Agreement shall commence upon the date Lessee begins construction of the Lessee Facilities (as defined in Paragraph 6 below) or twelve (12) months following the Effective Date, whichever first occurs ("**Term Commencement Date**") and shall terminate on the fifth anniversary of the Term Commencement Date ("**Term**") unless otherwise terminated as provided herein. Lessee shall have the right to extend the Term for two (2) successive five (5) year period ("**Renewal Term**") on the same terms and conditions as set forth herein. This Agreement shall automatically be extended for the Renewal Term unless Lessee notifies Lessor of its intention not to renew at least thirty (30) days prior to commencement of the Renewal Term. Any holding over after the expiration of the Term or Renewal Term with the written consent of Lessor will be construed to be a tenancy from month to month, at 100% of the Rent. If Lessor consents to a holding over, either party may thereafter terminate the tenancy at any time upon 30 days' advance written notice to the other.

5. Rent. Within ninety (90) days following the Term Commencement Date and on the twenty-fifth day of each month thereafter, Lessee shall pay to Lessor as rent five percent (5%) of gross revenues received from electrical automobile charging services conducted at the Land or Property ("**Rent**"). Rent for any fractional month at the beginning or at the end of the Term or Renewal Term shall be prorated. Rent shall be payable to Lessor at Newport City Hall, 169 SW Coast Highway, Newport OR 97365; Attention: Finance Department. Lessor shall be required to provide an accurate and executed W-9 Form. Lessee shall pay all real property taxes on the Premises as such taxes may become due.



6. Improvements. Lessee has the right to construct, maintain, install, repair, secure, replace, remove and operate on the Premises electrical automobile charging services and facilities, including but not limited to a freestanding charging station, utility lines, electronic equipment, and supporting equipment and structures therefore (“**Lessee Facilities**”). In connection therewith, Lessee has the right to do all work necessary to prepare, add, maintain and alter the Premises for Lessee Facilities and to install utility lines connecting Lessee Facilities to electrical services as needed. All of Lessee’s construction and installation work shall be performed at Lessee’s sole cost and expense and in a good and workmanlike manner. Title to the Lessee Facilities and any equipment placed on the Premises by Lessee shall be held by Lessee or its lenders or assigns and are not fixtures. Lessee has the right to remove the Lessee Facilities at its sole expense on or before the expiration or earlier termination of this Agreement, and Lessee shall repair any damage to the Premises caused by such removal. Upon the expiration or earlier termination of this Agreement, Lessee shall remove the Lessee Facilities from the Property. Lessee shall maintain, at Lessee’s sole expense, all Lessee Facilities in good repair and shall not commit or cause any waste or nuisance with respect to the Property and Lessee Facilities. To the extent Lessee Facilities includes signage, such signage shall comply with all applicable laws and shall be subject to Lessor’s prior approval, which will not be unreasonably withheld. Lessee will at all times and at Lessee’s sole expense keep all Lessee Facilities and the Premises insured against loss or damage by insurance in an amount equivalent to the replacement costs of the Lessee Facilities, less deductible. Lessee shall also maintain during the term of this Agreement commercial general liability insurance covering all operations by or on behalf of Lessee on the Premises, with the limits of liability not less than a combined single limit of \$500,000.

7. Access and Utilities.

7.1 Lessor shall provide Lessee, Lessee’s employees, agents, contractors, subcontractors and assigns with access to the Premises twenty-four (24) hours a day, seven (7) days a week, at no charge to Lessee. Lessor may limit or restrict access during periods of repair, construction, or maintenance activities on the Property but will endeavor to keep any restrictions to the minimum reasonably necessary. Lessor grants to Lessee, and Lessee’s agents, employees and contractors, a non-exclusive right and license for pedestrian and vehicular ingress and egress across the Property, and such right and license may be described generally in Exhibit B.

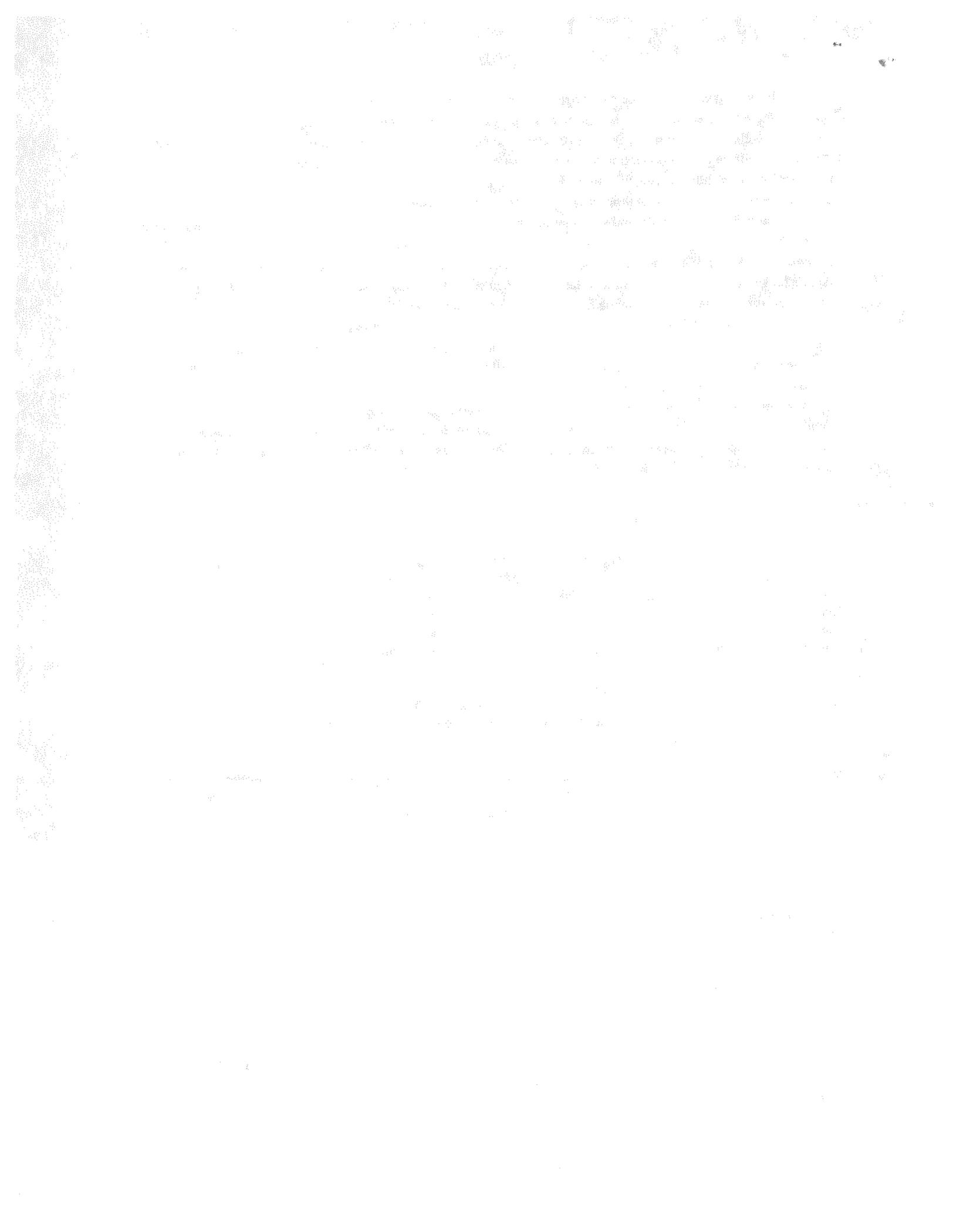
7.2 Lessor shall maintain all access roadways from the nearest public roadway to the Premises in a manner sufficient to allow pedestrian and vehicular access at all times under normal weather conditions. Lessor shall be responsible for maintaining and repairing such roadways, at its sole expense, except for any damage caused by Lessee’s use of such roadways.

7.3 Lessee will arrange for its own accounts with utility service providers and any other services as are necessary or appropriate for use of the Lessee Facilities. Lessee shall be responsible for all utilities and services costs related to the operation and maintenance of the Lessee Facilities.

8. Termination

8.1 This Agreement may be terminated without further liability on thirty (30) days prior written notice as follows: (i) by either party upon a default of any covenant or term hereof by the other party, which default is not cured within sixty (60) days of receipt of written notice of default, except that this Agreement shall not be terminated if the default cannot reasonably be cured within such sixty (60) day period and the defaulting party has commenced to cure the default within such sixty (60) day period and diligently pursues the cure to completion; provided that the grace period for any monetary default is ten (10) days from receipt of written notice; or (ii) by Lessor upon abandonment of the Premises by Lessee for a period of 90 consecutive days. This Agreement may be terminated by Lessee without further liability for any reason or for no reason, provided Lessee delivers written notice of termination to Lessor prior to the Commencement Date.

8.2 This Agreement may also be terminated by Lessee without further liability on thirty (30) days prior written notice (i) if Lessee is unable to reasonably obtain or maintain any certificate, license, permit, authority or approval from any governmental authority, thus restricting Lessee from installing, removing, replacing, maintaining or operating the Lessee Facilities or using the Premises in the manner intended by Lessee; (ii) if Lessee determines that the Premises are not appropriate for its operations for economic, environmental or technological



reasons, or (iii) or Lessee otherwise determines, within its sole discretion, that it will be unable to use the Premises for Lessee's intended purpose.

9. Destruction or Condemnation. If the Premises or Lessee Facilities are damaged, destroyed, condemned or transferred in lieu of condemnation, Lessee may elect to terminate this Agreement as of the date of the damage, destruction, condemnation or transfer in lieu of condemnation by giving notice to Lessor no more than forty-five (45) days following the date of such damage, destruction, condemnation or transfer in lieu of condemnation. If Lessee chooses not to terminate this Agreement, Rent shall be reduced or abated in proportion to the actual reduction or abatement of use of the Premises.

10. Assignment. Lessee will have the right to assign, sell or transfer its interest under this Agreement without the approval or consent of Landlord to Lessee's parent or member company or any affiliate or subsidiary of, or partner in, Lessee or its parent or member company or to any entity which acquires all or substantially all of the Lessee's assets by reason of a merger, acquisition, or other business reorganization. Upon notification to Landlord of such assignment, transfer or sale, Lessee will be relieved of all future performance, liabilities and obligations under this Agreement. Lessee may not otherwise assign this Agreement without Landlord's consent, Landlord's consent not to be unreasonably withheld, conditioned or delayed.

11. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed given if personally delivered or mailed, certified mail, return receipt requested, or sent by for next-business-day delivery by a nationally recognized overnight carrier to the following addresses:

If to Lessor, to:

City of Newport
Attn: City Manager
169 SW Coast Highway
Newport, OR 97365

With a Copy to:

City of Newport
Attn: Community Development Director
169 SW Coast Highway
Newport, OR 97365

If to Lessee, to:

AeroVironment, Inc.
Attn: Vice President, EV Solutions
181 W. Huntington Dr., Suite 202
Monrovia, CA 91016

With a copy to:

AeroVironment, Inc.
Attn: General Counsel
181 W. Huntington Dr., Suite 202
Monrovia, CA 91016

12. Miscellaneous.

12.1 If any provision of the Agreement is invalid or unenforceable with respect to any party, the remainder of this Agreement or the application of such provision to persons other than those as to whom it is held invalid or unenforceable, shall not be affected and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law. This Agreement shall be interpreted and enforced in accordance with Oregon law.

12.2 This Agreement constitutes the entire Agreement between the parties, and supersedes all understandings, offers, negotiations and other leases concerning the subject matter contained herein. There are no representations or understandings of any kind not set forth herein. Any amendments, modifications or waivers of any of the terms and conditions of this Agreement must be in writing and executed by both parties.

12.3 In no event shall either party, its affiliated corporations, officers, employees, or any of its subcontractors be liable for any incidental, indirect, special, punitive, economic or consequential damages, including but not limited to loss of revenue or profits, suffered or incurred by the other party or any of its agents, including other contractors engaged at the Premises, as a result of this Agreement or the party's performance or non-performance.

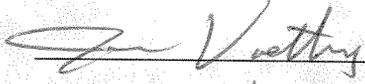
12.4 This Agreement may be executed in multiple counterparts each of which will constitute one agreement, even though all parties did not sign the same counterpart.

12.5 Except to the extent arising from the gross negligence or willful misconduct of Lessor or an agent, officer or employee of Lessor, Lessee will indemnify and agrees to defend and hold Lessor and Lessor's agents, officers, and employees harmless for, from, and against any and all liability, penalties, losses, damages, costs and expenses, demands, causes of action, claims, judgments, or appeals to the extent attributable to Lessee and arising from any bodily injury to or death of any person or persons operating the electrical automobile charging services or any damage to any property as a result of the operation of the electrical automobile charging services.

12.6 Lessee covenants to keep the Premises free from all construction liens and all other liens of any type whatsoever arising out of Lessee's repair, alteration, maintenance, and use of the Property and Lessee Facilities.

LESSOR:

City of Newport

By: 
Name: Jim Voetberg
Title: City Manager
Date: 4/25/12

LESSEE:

AeroVironment, Inc.

By: 
Name: Kristen Helsel
Title: VP, EV Solutions
Date: April 11, 2012

EXHIBIT A

DESCRIPTION OF LAND

to the Agreement dated April 25, 2012, by and between City of Newport, a municipal corporation and political subdivision,, as Lessor, and AeroVironment, Inc, as Lessee.

The Land is described and/or depicted as follows (metes and bounds description):

APN: 11-11-08-BD-13600-00

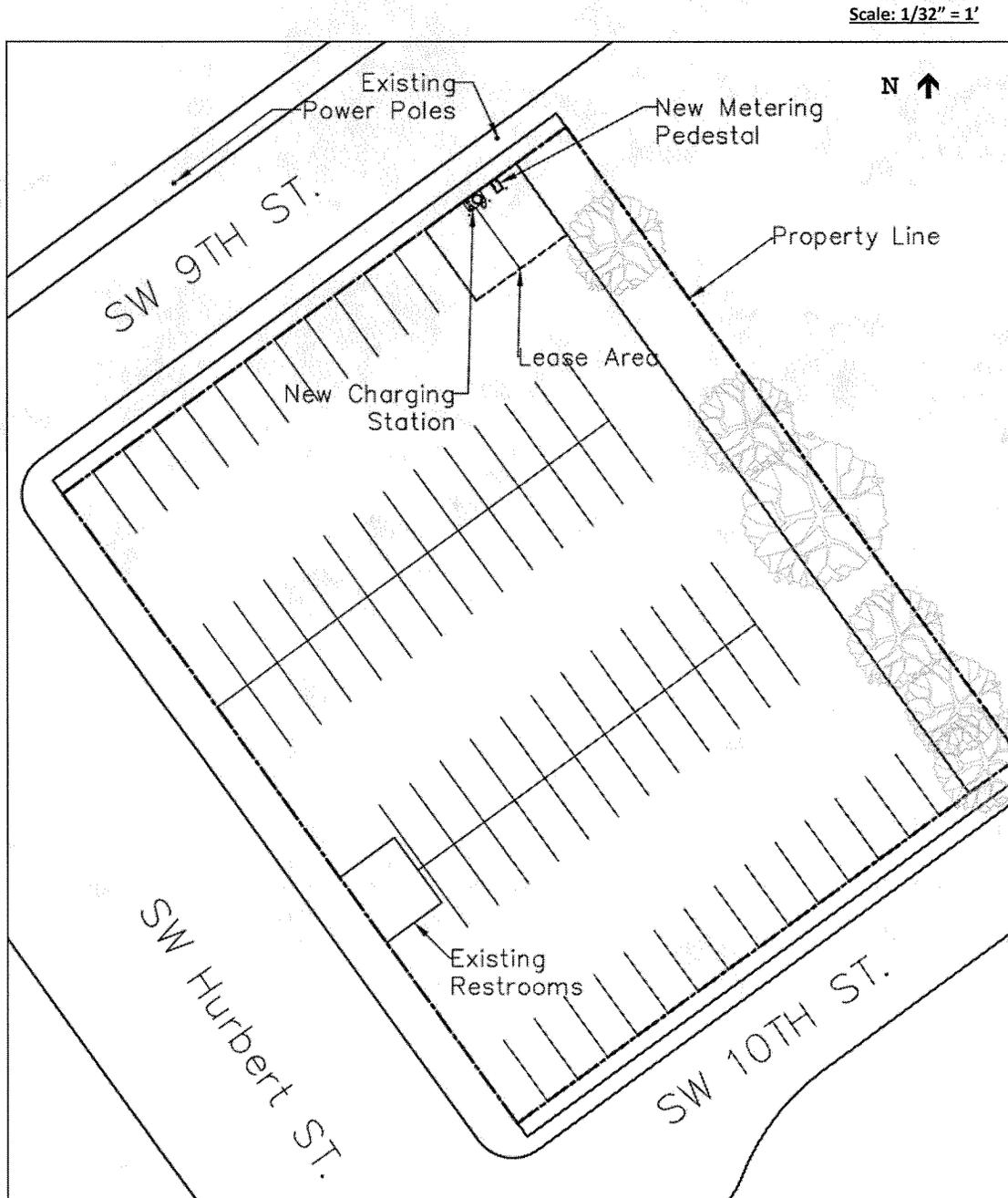
LEGAL DESCRIPTION

Beginning at the most northerly corner of Lot 10, Block 45, CASE & BAYLEY'S SECOND ADDTION, a subdivision of record in the Southeast quarter of the Northwest quarter of Section 8, Township 11 South, Range 11 West of the Willamette Meridian, in Lincoln County, Oregon; thence southwesterly along the northerly line of said Lot 10, a distance of 14 feet, to the true point of beginning; thence continuing southwesterly along said northerly line of Lot 10, a distance of 26 feet; thence southeasterly along a line that is parallel to the easterly line of said Lot 10, a distance of 20 feet; thence northeasterly and parallel to said northerly line of Lot 10, a distance of 26 feet; thence northwesterly and parallel to said easterly line of Lot 10, a distance of 20 feet, to the true point of beginning.

EXHIBIT B

DESCRIPTION OF PREMISES

to the Agreement dated APRIL 25, 2012 by and between City of Newport, a municipal corporation and political subdivision, as Lessor, and AeroVironment, Inc, as Lessee. The Premises are described and/or depicted as follows:



Notes:

1. Lessee may replace this Exhibit with a survey of the Premises once Lessee receives it.
2. The Premises shall be setback from the Property's boundaries as required by the applicable governmental authorities.
3. The access road's width will be the width required by the applicable governmental authorities, including police and fire departments.
4. The locations of any utility easements are illustrative only. The actual locations will be determined by the servicing utility company in compliance with all local laws and regulations.