

1 CITY OF SANTA FE, NEW MEXICO

2 ORDINANCE NO. 2015-5

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4
5 AN ORDINANCE

6 APPROVING A LEASE BETWEEN THE CITY OF SANTA FE AND JET CENTER AT
7 SANTA FE REAL ESTATE, LLC FOR THREE PARCELS OF CITY OWNED LAND
8 TOTALING 5.0 ACRES, MORE OR LESS, LOCATED AT THE SANTA FE
9 MUNICIPAL AIRPORT FOR DEVELOPMENT OF SUCH PROPERTY FOR THE
10 PURPOSE OF PROVIDING FIXED BASE OPERATION SERVICES AND OTHER
11 RELATED PURPOSES.

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13 BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

14 Section 1. The City of Santa Fe hereby approves a certain lease dated April 11,
15 2015, entered into between the City of Santa Fe and Jet Center At Santa Fe Real Estate, LLC,
16 which is attached hereto as Exhibit "A" and made a part hereof, for three parcels of land totaling
17 approximately 5.0 acres located at the Santa Fe Municipal Airport, which expires on April 10,
18 2045, (the "Lease Agreement").

19 Section 2. This Ordinance shall be effective forty-five days after the date of
20 adoption, unless a referendum is held pursuant to Section 3-54-1 NMSA 1978.

21 Section 3. This Ordinance shall be published as required by Section 3-17-3 NMSA
22 1978 and such publication shall contain the following information:

23 A. Term of Lease Agreement. The term of the Lease Agreement shall be thirty
24 (30) years.

25 B. Property to be Leased. The City of Santa Fe shall lease to Jet Center at Santa

1 Fe Real Estate, LLC, a total of 5.0 acres, more or less, of land comprised of three parcels
2 identified as Parcels B, C and D, located at the Santa Fe Municipal Airport, and more fully
3 described under the Lease Agreement.

4 C. **Appraised Value of the Leasehold Premises.** The appraised value of the
5 leasehold premises is estimated to be \$230,393 as follows: Parcel B, \$49,000; Parcel C, \$68,000;
6 and Parcel D, \$113,393.

7 D. **Payment terms of the Lease.**

8 (1) The annual rent for Parcel B is \$4,860.00, payable in equal monthly
9 increments in advance on the first day of each month, together with certain other fees set
10 out in the Lease Agreement.

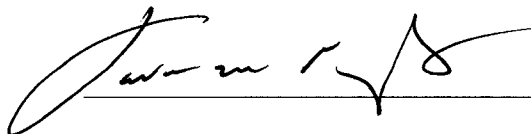
11 (2) The annual rent for Parcel C is \$6,819.00, payable in equal monthly
12 increments in advance on the first day of each month, together with certain other fees set
13 out in the Lease Agreement.

14 (3) The annual rent for Parcel D is \$11,295, payable in equal monthly
15 increments in advance on the first day of each month, together with certain other fees set
16 out in the Lease Agreement, subject to a reappraisal at Lessor's expense by an MAI-
17 certified appraiser. The reappraisal shall be submitted by the Lessor, no later than six
18 months after the effective date of the Lease Agreement. Any adjustment of rent in
19 accordance with the reappraisal shall be effective as of the effective date of the Lease
20 Agreement.

21 E. **Lessee.** The Lessee is Jet Center At Santa Fe Real Estate, LLC, Attention, John
22 Marchman, c/o Felker, Ish, Ritchie & Geer, P.A., 911 Old Pecos Trail, Santa Fe, NM 87505.

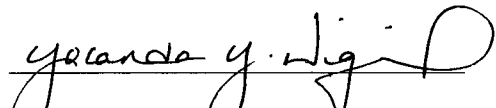
23 F. **Purpose of the Lease.** The purpose of the lease is for the lessee to use and
24 occupy the premises for the development of such property for the purpose of providing fixed base
25 operation services and other related purposes more fully described under the Lease Agreement.

1 PASSED, APPROVED and ADOPTED this 25th day of February, 2015.

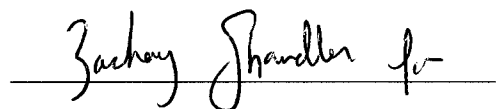
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4 JAVIER M. GONZALES, MAYOR

5 ATTEST:

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8 VOLANDA Y. VIGIL, CITY CLERK

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10 APPROVED AS TO FORM:

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12 

13 KELLEY A. BRENNAN, CITY ATTORNEY

**SANTA FE MUNICIPAL AIRPORT LEASE AGREEMENT
JET CENTER AT SANTA FE REAL ESTATE, LLC**

THIS LEASE AGREEMENT (Lease) is made and entered into this ____ day of _____, 2015, by and between the CITY OF SANTA FE, NEW MEXICO, a municipality and political subdivision of the State of New Mexico (Lessor), and JET CENTER AT SANTA FE REAL ESTATE, LLC, a New Mexico limited liability company (Lessee) (collectively, the Parties).

WHEREAS, the Lessor owns and operates the Santa Fe Municipal Airport (Airport), located in Santa Fe County, New Mexico; and

WHEREAS, Fixed Base Operation (FBO) services are essential to the proper accommodation of general aviation at the Airport; and

WHEREAS, in 1986 the Lessor enacted the Airport Minimum Standards Ordinance, Santa Fe City Code (SFCC) § 3-2, adopting by reference the "Santa Fe Municipal Airport Minimum Standards and Requirements on the Conduct of Commercial Aeronautical Services" (as amended, or as they may be amended from time to time, the Minimum Standards and Requirements), regulating, without limitation, the provision of FBO services at the Airport; and

WHEREAS, the Lessee in September 2014 submitted to Lessor a proposal to develop certain real property at the Airport for the purpose of providing FBO services, which proposal was revised in accordance with discussions between the Parties in December 2014 (the Proposal); and

WHEREAS, the Proposal incorporates a phased development plan (the Development Plan) for certain real property at the Airport to provide FBO services, which the Parties have agreed will be commenced and completed within five (5) years of the effective date of this Lease; and

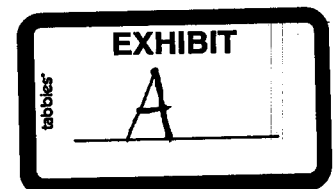
WHEREAS, the Lessor deems it advantageous for the operation of the Airport to provide for additional FBO services at the Airport, and to lease to Lessee such premises and to grant to Lessee such rights, privileges and uses as are necessary for Lessee to provide FBO services at the Airport, all as set forth herein; and

WHEREAS, the Lessee is authorized to provide FBO services at the Airport; and

WHEREAS, both Parties have the right and power to enter into this Lease for the purposes and upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, the Parties agree as follows:

1. EFFECTIVE DATE. This Lease shall become effective forty-five days after the date it is adopted and approved by the Governing Body of the City of Santa Fe, unless a referendum is



held pursuant to Section 3-54-1 NMSA 1978, and upon execution by both parties, however, this Lease shall be executed no later than June 30, 2015.

2. LEASED PREMISES. Lessor leases to the Lessee and the Lessee leases from the Lessor that certain real property located at the Airport and identified as Lease Parcel B (Parcel B), Lease Parcel C (Parcel C), and Lease Parcel D (Parcel D), all as more particularly shown on **Exhibit A** attached hereto and made a part hereof, containing a total of 221,986 square feet, more or less (collectively, the Premises), together with the unimpeded right of access thereto. It is understood and agreed by the Parties with respect to the Premises that (a) a portion of the southern boundary of Parcel B as shown on the Development Plan encroaches upon an approximately 14,000 square foot lease parcel (the Landmark Lease Area) leased by Lessor to LM U.S. Corp Acquisition, Inc. d/b/a Landmark Aviation, as it is the successor to Santa Fe Air Center, LLC (Landmark); (b) the area within said encroachment is necessary for the Lessee to carry out the Development Plan and provide its FBO services; (c) the Lessor has the right under its May 27, 2009 lease with Landmark for the Landmark Lease Area (the Landmark Lease) to terminate the Landmark Lease upon payment of the balance of the purchase price then due for the building constructed by Landmark's predecessor on the Landmark Lease Area (Building 3002); (d) Lessor anticipates expanding its existing terminal building (the Airport Terminal) and may at some future time wish to utilize Building 3002 in conjunction with that expansion; (e) the Landmark Lease Area and Building 3002 are underutilized to provide FBO services; (f) in order to effectuate the Development Plan, this Lease and Lessor's future expansion plans, the Lessor must terminate the Landmark Lease; and (g) Lessee's prepaid rent for the Premises, which is intended, without limitation, to secure the commencement and completion of the Development Plan in order to assure timely provision of the Authorized Services, as hereinafter defined, can and will be used to pay down the balance of the Building 3002 purchase price and to terminate the Landmark Lease in accordance with its terms.

Upon termination of the Landmark Lease, the Landmark Lease Area and Lot B shall be reconfigured as shown on **Exhibit A**, with the reconfigured Landmark Lease Area to be identified thereafter as Parcel A. Thereafter the Lessor may, but need not, lease to the Lessee any or all of Parcel A and/or any rights appurtenant thereto, including, without limitation, the exclusive right to use the ramp areas located west of Building 3002, all upon such terms and conditions as the Parties may then agree, taking into account Lessor's future needs relating to the expansion of the Airport Terminal.

3. USE OF THE PREMISES AND RIGHT TO CONSTRUCT.

A. The Lessee shall use the Premises in accordance with the Proposal and the Development Plan solely to provide FBO services (collectively, the Authorized Services) at the Airport as follows:

1. Parcel B shall be used for the construction (which term shall throughout this Lease include the installation and erection of preassembled or modular structures), operation and maintenance of a passenger terminal and hangars and any and all uses and improvements commonly appurtenant thereto consistent with the Minimum Standards and Requirements; and

2. Parcel C shall be reserved for future development, including, without limitation, construction, operation and maintenance of hangars, and any and all uses and improvements commonly appurtenant thereto consistent with the Minimum Standards and Requirements; and

3. Parcel D shall be used for the construction, operation and maintenance of a tank farm and any and all uses and improvements commonly appurtenant thereto consistent with the Minimum Standards and Requirements.

4. In addition to the foregoing uses and services required to be provided by Lessee on the Premises, the Lessee is authorized, but not required, with the prior written consent of Lessor, which shall not be unreasonably withheld, conditioned or delayed, to provide as Authorized Services the following services and engage in the following uses:

a. Ramp service at other common areas of the Airport and at other leased areas with such Lessee's permission, including into-plane delivery of aircraft fuel, lubricants and other related aviation products; loading and unloading of passengers, baggage, mail and freight; and providing of ramp equipment, aircraft cleaning and other services for air carriers and other persons or firms;

b. Special flight services, including aerial advertising and aerial photographs;

c. The sale of new and used aircraft, aircraft parts, navigation equipment, and new and used radio and electronic equipment;

d. The demonstration of aircraft for sale;

e. Flight training, including ground school;

f. Aircraft rental;

g. Aircraft charter operations conducted by Lessee or a subcontractor of Lessee;

h. Aircraft maintenance and avionics installation and repair;

i. To operate a full service fixed base aviation facility, together with all other normal, reasonable and related activities except as may be excluded herein and to be consistent with the Minimum Standards and Requirements;

j. Car rental services provided Lessee pays Lessor the same rates and fees as may be uniformly imposed by Lessor on other car rental agencies at the airport;

k. Any other general aviation services not specifically provided for herein which are approved in advance by Lessor.

The Premises shall not be used for any other purposes without the prior written consent of the Lessor, which shall not be unreasonably withheld, conditioned, or delayed.

B. It is not the intent of this Lease to grant to Lessee the exclusive right to provide any or all of the Authorized Services at the Airport during the Term of this Lease. Lessor reserves the right, in its sole discretion, to grant to others certain rights and privileges at the Airport which may be similar in whole or in part to those granted to Lessee under this Lease. Notwithstanding the foregoing, Lessor covenants and agrees that:

1. It shall enforce the Minimum Standards and Requirements and all other City ordinances for all aeronautical uses at the Airport;
2. Any other operator providing FBO services will not be permitted to operate on the Airport under rates, terms or conditions more favorable than those set out in this Lease; and
3. Lessor will not permit the provision of any FBO services at the Airport except under an approved Lease.

C. Subject to the requirements set out elsewhere herein, the Lessee shall have the right to construct, erect, install, maintain and alter buildings or other structures upon the Premises, provided that any such buildings or structures are consistent with the Minimum Standards and Requirements, the Building Code requirements of the New Mexico Construction Industries Division, and any City of Santa Fe ordinance now or hereafter in effect. Title to such construction, installations, and equipment, shall remain in the Lessee during the term of this Lease, but shall pass to the Lessor upon expiration or earlier termination of this Lease in accordance with its terms.

D. Lessor shall provide reasonable easements for access and utilities to serve the Premises. Subject to any reservations of right by Lessor set out elsewhere herein, Lessee shall have priority use of the ramp areas adjacent to each of Parcel B, Parcel C and Parcel D.

E. Lessee may not commence any construction, erection, installation, alteration or maintenance (except routine maintenance) work (each such undertaking, a Project, see **Exhibit B**) on the Premises without first obtaining the written approval of Lessor and the Federal Aviation Administration. Each request for Lessor's approval for a Project shall include, at a minimum, a master development plan for the Premises showing each Project, a schedule for commencement through completion of all the work of the Project, construction drawings and specifications for the Project, proof of required insurance, the names of all contractors (general and subcontractors) who will be working on the Premises, with license numbers, performance and payment bonds, if required, and such other reasonable submittals as the Lessor may require.

F. Upon receipt of Lessor's written approval, which shall not be unreasonably withheld, conditioned or delayed, Lessee shall have the right to remodel, remove, demolish or destroy

any present or future structures or improvements constructed on the Premises without compensation to Lessor, so long as the Premises are left in a safe and slightly condition.

4. TERM OF LEASE.

A. Term. This Lease shall be for a thirty (30) year term beginning on _____, 2015, and terminating on _____, 2045 (the Initial Term). Upon expiration or other termination of the Initial Term or any Extended Term as provided for herein, Lessee shall peacefully surrender and vacate the Premises.

B. Option to Renew. Lessor hereby grants to Lessee the option to renew this Lease for two (2) additional successive five (5) year terms (each, an Extended Term) upon the same terms and conditions as those set forth in this Lease for the Initial Term. Lessee shall notify Lessor in writing of its intention to exercise its renewal option not less than ninety (90) days before the expiration of the Initial Term or any Extended Term; otherwise, the option shall be deemed to have been waived and may not be exercised.

At the expiration of this Lease, Lessee shall have the first right to lease or purchase the Premises if Lessor decides to further lease or sell the Premises, at fair market value, based on the then-current appraised value, as determined by a certified real estate appraiser within six months prior to the expiration of this Lease.

C. Termination. Lessee may terminate this Lease at any time, by giving sixty (60) days prior written notice to the Lessor, or otherwise in accordance with Paragraph 11 of this Lease. Lessor may terminate this Lease in accordance with Paragraph 10 of this Lease. Upon termination of this Lease by either party, the Lessee's rights to use the Premises shall cease and the Lessee shall peacefully vacate the Premises, removing its personal property, including, without limitation, items such as signs, trade fixtures, hoists, and conveyors, at its own expense within 48 hours of written notification of termination by Lessor. All permanent leasehold improvements shall, upon termination, be and become the property of the Lessor. Termination by the Lessor shall not relieve the Lessee of liability for any damages sustained by the Lessor caused by Lessee's breach of this Lease.

5. HOLDOVER. In the absence of a new lease agreement entered into before the expiration of the Initial Term or any Extended Term under this Lease, Lessee shall be allowed to hold over for a period not to exceed sixty (60) days from the expiration date of such term. Holding over by the Lessee after the expiration of the Initial Term or any Extended Term under this Lease, whether with or without the consent of the Lessor, shall not operate to extend or renew this Lease. Any such holding over shall be construed as a tenancy from month to month at the rents reserved in this Lease under the terms herein.

6. RENT AND FEES. The Lessee agrees to pay to the Lessor, at the office of the Airport Manager, at the Airport, or at such place as the Lessor may designate from time to time, for the use of the Premises the following rents and fees:

A. Annual Rent. Lessee shall pay to Lessor as annual rent for the Premises (Annual Rent) the following amounts:

1. Total Annual Rent for Parcel B shall be Four Thousand Eight Hundred Sixty and 00/100 Dollars (\$4,860.00), payable in equal monthly increments of Four Hundred Five and 00/100 Dollars (\$405.00) in advance on the first day of each month.

2. Total Annual Rent for Parcel C shall be Six Thousand Eight Hundred Nineteen and 00/100 Dollars (\$6,819.00), payable in equal monthly increments of Five Hundred Sixty Eight and 25/100 (\$568.25) in advance on the first day of each month.

3. Total Annual Rent for Parcel D shall be Eleven Thousand Two Hundred Ninety-Five and 00/100 Dollars (\$11,295.00), payable in equal monthly increments of Nine Hundred Forty-One and 25/100 Dollars (\$941.25) in advance on the first day of each month, subject to a reappraisal at Lessor's expense by an MAI-certified appraiser. The reappraisal shall be submitted by the Lessor, no later than six months after the effective date of the Lease Agreement. Any adjustment of rent in accordance with the reappraisal shall be effective as of the effective date of the Lease Agreement.

B. Pre-payment of Annual Rent. Lessee shall pre-pay two (2) years' Annual Rent for Parcel B, Parcel C and Parcel D on or before the Effective Date of this Lease. Lessor shall use such prepaid Annual Rent to pay the balance remaining due on the purchase price of Building 3002 and upon such payment, terminate the Landmark Lease in accordance with its terms and conditions and reconfigure Parcel B and Parcel A, formerly the Landmark Lease Area.

C. Adjustments to Annual Rent. The Annual Rent as computed above shall be adjusted at the end of every three (3) year period during the Initial Term and any Extended Term for the following three (3) year period to reflect the average annual percentage rate increase in the cost of living index published by the United States Bureau of Labor Statistics, or any successor agency, for the three (3) years immediately preceding such adjustment. The first such adjustment under this paragraph shall take place on the third anniversary of the date of this Lease, and then on the anniversary date every third year thereafter. In no event shall Annual Rent be adjusted downward.

D. Adjustment to Annual Rent Upon Ten Year Reappraisal of Premises. On the tenth (10th) anniversary of the date of this Lease and every ten (10) years thereafter, the Premises shall be reappraised and the Annual Rent adjusted upward or downward to reflect the new appraised value. Each such adjustment shall become effective on the first day of the second month after such anniversary date.

E. Relocation of F 111. Lessee agrees that, as additional rent, it will pay for the costs for relocating the F-111 from its current location on Parcel C to the proposed location south of Airport Road, as shown on **Exhibit A**. In addition, Lessee agrees to fence an area adjacent to the relocated F-111 for dogs to run. The moving of the F-111 and the fencing of the dog area will occur prior to Lessee commencing construction on Parcel C.

F. Penalties for Failure to Pay Annual Rent. If Lessee fails to make any Annual Rent payment by the tenth (10th) day of the month for which such rent is due, the Lessee shall pay a finance charge of One Half of One Percent (½%) per month (6% percent annually) on such past due payment for each month or partial month thereafter that any payment due remains unpaid.

G. Percentage and Fuel Flowage Fees. Lessee shall pay to Lessor the following:

1. A sum of Seven Cents (\$0.07) per gallon on all aviation fuel sold by Lessee, except for fuel used by Lessee in the provision of FBO services. Provided, however, that from time to time, fuel flowage fees shall be adjusted pursuant to the rate set forth in any appraisal of fuel flowage fees done for the Airport.

2. A sum equal to Two Percent (2.0%) of the adjusted gross receipts from all business conducted and carried on by Lessee upon the Premises. The term "adjusted gross receipts" as used in this Lease shall include the aggregate amount of all sales made, and services performed, including charter operations conducted by the Lessee to or from the Airport, for cash, on credit or otherwise, of every kind, name and nature. Adjusted gross receipts shall also include the aggregate value of all goods, wares and merchandise received for property services, at the selling price thereof, as if the same had been sold for cash. Adjusted gross receipts shall not include: (a) fuel sales; (b) sales of new and used aircraft; (c) transient tie down fees; (d) ramp parking fees; (e) landing fees; (f) federal, state and municipal sales taxes, excise taxes, gross receipts taxes and all other similar taxes separately stated and/or collected from customers; and (g) bad debts and uncollectible accounts. This adjusted gross receipts fee shall be increased in the amount and at such time as any other similar FBO services provider at the Airport is required under the terms of its lease to pay a higher adjusted gross receipts fee

H. Transient Tie Down and Parking Fees. Lessee agrees to remit to Lessor Seventy Five Percent (75%) of all transient tie down and ramp parking fees collected by Lessee on aircraft tied down or parked at the Airport in areas other than the Premises that are designated by the Lessor from time to time for the Lessee's use. The Lessor reserves the right to adjust such fees as necessary to reflect its costs and Airport conditions.

I. Transient Landing Fees. Lessee agrees to remit to Lessor Eighty Percent (80%) of all transient landing fees collected by Lessee on transient aircraft serviced by Lessee at the Airport. Lessor reserves the right to adjust or modify such fees as necessary to reflect its costs and Airport conditions.

J. Security and Fire Protection Fees. Lessor reserves the right to impose fair and equitable fees for security and fire protection provided by Lessor.

K. Fees Deferred; Credit for Rent. All fees required by this Paragraph 6 shall be deferred for a period (the Deferral Period) of the earlier of (a) twelve (12) months from the Effective Date of this Lease or (b) the date the Lessee has received \$350,000 in "adjusted gross receipts", as that term is defined in Paragraph 6.G.2 above. At the end of the Deferral Period, the accrued

but deferred fees (the Deferred Fees) shall be calculated and such sum shall then be amortized, together with interest at the rate of Three Percent (3%) per year over the remaining first seven (7) years of the Initial Term and be paid in monthly increments upon the same schedule as Annual Rent is paid, provided that Lessee may at any time prepay any or all such Deferred Fees remaining due. Lessee shall receive a credit for prepaid rent for that portion of Parcel B that was not available for Lessee's use until the Landmark Lease was terminated and the parcels reconfigured.

L. Late Payment Penalty. If the payments specified in Paragraph 6 C, D, E, and F herein, are not received by the tenth (10th) day of each month following the month of sale, Lessee shall pay a finance charge of 1/2% per month (6 % annually) on such past due payment for each month or partial month thereafter that any payment due is not made.

M. Monthly Statement. The Lessee shall submit a detailed statement to the Lessor to accompany the payment, on a form satisfactory to the Lessor, showing the gross revenues of the Lessee upon which compensation to the Lessor is payable under this Lease for the preceding calendar month. The statement shall show such reasonable detail and breakdown by the Lessee's payment for percentage fees and fuel flowage fees due. The Lessee shall include with the breakdown payment of all rents, fees and charges due to Lessor hereunder for the preceding calendar month's business. Such statement shall contain, at a minimum, all monthly activities and shall be subscribed and sworn to as correct by the Lessee, one of the Lessee's officers, its local manager or certified by a licensed accountant.

7. RECORDS AND AUDIT.

A. In addition to the monthly statement required under Paragraph 6 I above, Lessee shall provide and maintain true and accurate records of retail fuel sales and adjusted gross receipts under this Lease for a period of six (6) years from the date the record is made.

B. All records, accounts, books, delivery receipts and data on business activities maintained pursuant to Paragraph 7 A above, or elsewhere under this Lease shall be subject to inspection and audit by the Lessor at Lessor's expense at all reasonable times; provided, however, Lessor shall notify Lessee of any inspection or audit at least five (5) business day prior to any inspection or audit. However, if an audit reveals a discrepancy of more than five (5%) percent of the gross receipts reported and the gross receipts as determined by the audit for any 12 month period, and if Lessor requires an additional audit, the full cost of such additional audit shall be borne by the Lessee. Records shall be maintained for a period of not less than six (6) complete lease years.

C. The records and statements of business done by the Lessee along with any other information obtained or inspected pursuant to this provision shall be considered proprietary information and shall not be subject to use or disclosure by the Lessor for any purpose other than the ascertainment of rents, fees and charges under this Lease Agreement. Lessor may use information and data provided by the Lessee to compile gross receipts reports for airport activity reports provided the identity of the Lessee is not disclosed.

8. INSURANCE.

A. Insurance Required. Lessee shall, at its sole cost and expense, procure and maintain at all times during the term of this Lease insurance coverage with limits not less than those set forth herein with insurers and under forms of policies satisfactory to Lessor, acceptance of which shall not unreasonably be withheld. A binder of all insurance policies required by this Lease shall be provided to the Airport Manager no later than the time of execution of this Lease, including certificates of insurance, as well as respective policy endorsements thereof. Said policies shall be procured from insurance carrier(s) authorized to do business in the State of New Mexico and rated A-, VII or better by A. M. Best. Certificates and insurance policies shall name the Lessor, its directors, officers, employees, agents and trustees as additional insureds to all policies referenced in this Section, except the workers' compensation and employer's liability, and property insurance policies. Lessee's insurance policies shall be primary and without right of contribution from any other insurance as may be carried by the Lessor, waive all rights of subrogation against the Lessor, inclusive of workers' compensation insurance, and provide not less than thirty (30) days written notice of cancellation or of any material change in coverage. However, Lessee shall be responsible for such notification to Lessor of cancellation or material change whether or not the insurer complies. Lessee shall promptly replace any policies terminated or canceled and shall ensure no gaps in coverage. Lessor has and hereby reserves for all purposes of this Lease the right to revise the insurance requirements set forth herein as to amounts, limitations and types of insurance, and Lessee hereby agrees to comply with such revised requirements upon reasonable notice from Lessor. Lessee is required to provide and maintain the following insurance and in the amounts indicated below:

1. Worker's Compensation and Employer's Liability. The Lessee shall comply with all applicable provisions of the New Mexico Worker's Compensation Act, the Subsequent Injury Act, and the Occupational Disease Disablement Law. Such insurance shall include coverage permitted under N.M. Stat. Ann. 52-1-10 NMSA 1978, for safety devices. The Lessee shall procure and maintain complete Employer's Liability Insurance in an amount of not less than \$1,000,000 per accident for bodily injury or disease. If the Lessee elects to be self-insured, the Lessee shall comply with the applicable requirements of law. The Lessee shall require any subcontractor or sublessee similarly to provide such coverage, or qualify as a self-insured, for all their employees. The Lessor, its officers or employees shall not be responsible for any claims or actions occasioned by the Lessee's failure to comply with the provisions of this subparagraph. It is expressly understood that employees of the Lessee are not Lessor's employees for any purpose.

2. Aviation Commercial General Liability. The Lessee shall procure and maintain an aviation commercial general liability insurance policy for bodily injury, property damage and personal and advertising injury, including but not limited to, coverage for premises and operations, products and completed operations, and contractual liability in an amount not less than \$5,000,000 per occurrence.

3. Hangar-Keeper Legal Liability Coverage. The Lessee shall procure and maintain hangar-keeper's legal liability insurance with liability limits of not less than \$25,000,000 each aircraft/each loss.

4. Commercial Automobile Liability. The Lessee shall procure and maintain commercial automobile liability coverage for all owned, non-owned, leased or hired vehicles in an amount of not less than \$5,000,000 per accident for bodily injury and property damage.

5. Property Insurance. The Lessee shall procure and maintain "All Risk" property coverage against loss or damage to Lessee's structures, improvements, trade fixtures, business personal property and equipment caused by fire and lightning, vandalism and malicious mischief, with extended coverage. Such extended coverage shall include loss or damage by explosion, windstorm, riot, aircraft, vehicle damage and such other hazards as are normally covered by such insurance. Coverage provided shall be at full replacement cost and the Lessor shall be named as loss payee under the policy.

6. Builder's Risk Insurance (Course of Construction). During construction, Lessee shall procure and maintain builder's risk insurance utilizing an "All Risk" or Special Causes of Loss form covering damages to the work with limits equal to the completed value of the project, with no coinsurance penalty provisions. The policy shall name Lessor as loss payee, as its interests may appear.

7. Environmental Insurance. The Lessee shall procure and maintain environmental impairment liability with limits of not less than \$1,000,000 per occurrence and in the aggregate. Such coverage shall protect against: bodily injury or property damage caused by Pollution Conditions, including damage to tangible property, the loss of use of such property that has not been physically injured or destroyed, and the diminished market value of a third party's property; remediation expenses, including investigating the nature and extent of the pollutant; monitoring, removing and disposing of the pollutant; and defense costs incurred in the investigation, settlement and defense of a claim. As used herein, the term Pollution Conditions means the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants upon land, the atmosphere or any watercourse or body of water.

B. Additional Requirements. If any of the policies required to be maintained by Lessee under this Lease are written on a claims-made basis, the following shall apply:

1. The retroactive date must be shown, and must be before the date of this Lease Agreement;
2. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after termination of the Lease;

3. If coverage is cancelled or non-renewed, and not replaced with another claims-made policy form with a retroactive date prior to this Lease Agreement, Lessee must purchase an extended reporting period for a minimum of five (5) years after termination of the Lease Agreement;

9. INDEMNIFICATION. To the fullest extent permitted by law, Lessee agrees to defend, indemnify and hold harmless Lessor, its directors, officers, employees and agents from any loss, liability, claims, suits, actions, regulatory proceedings, or expenses, including attorney's fees for injury to or death of any person, or any loss or destruction of any property arising out of or attributable to Lessee's negligent use or occupancy of the Premises, except any loss, liability, claims, suits, actions, regulatory proceedings or expenses caused by the negligence or willful misconduct of the Lessor, its agents or employees. Lessee expressly waives any and all claims against Lessor for any compensation for any and all losses or damage sustained by reasons of any defect, deficiency or impairment of any electrical service system or electrical appliances or wires serving the Premises. The defense and indemnification obligations of Lessee under this Lease Agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained herein. It is agreed that if any part of this indemnification is found to conflict with applicable laws, such part shall be unenforceable only insofar as it conflicts with said laws, and that this indemnification provision shall be judicially interpreted and rewritten to provide the broadest possible indemnification legally allowed and shall be binding upon Lessee. This indemnification agreement shall survive the termination of this Agreement.

10. TERMINATION BY LESSOR. Lessor may terminate this Lease by giving Lessee written notice of any alleged default under or breach of this Lease, provided that Lessee shall have thirty (30) days after receipt of such notice within which to cure such default or breach for any of the following:

A. Termination for Non-Payment. If the Lessee shall default in any payment obligations contained herein, and the default shall continue for 30 days after the effective date of written notice thereof to the Lessee, given by the Lessor in accordance with the provisions of this Lease, then the Lessor shall have the option to declare the Term ended, without forfeiture, waiver or release of the Lessor's rights to any sum of money due, and to recover and enjoy possession of the Premises, whether with or without process of law. In the event of termination for non-payment, Lessor may, at its option, attach a landlord's lien to any of the improvements or other property of Lessee on the Premises, and said improvements or property may not be removed from the Premises without Lessor's prior written approval.

B. Termination for Default other than Payment.

1. If the Lessee shall default in the performance of any terms, covenants, agreements or conditions of this Lease other than in the performance of payment obligations, as set forth above, including, without limitation, Lessee's failure to complete the Development Plan, as the same may be modified from time to time by the agreement of the Parties, and the default shall continue for thirty (30) days after written notice thereof to the Lessee, given by the Lessor in accordance with the provisions of this Lease, then the Lessor shall have

the option to declare the Term ended, without forfeiture, waiver or release of the Lessor's rights to any sum of money due, and to recover and enjoy possession of the Premises, whether with or without process of law. However, if any default or breach may not reasonably and capably be cured within thirty (30) days after written notice thereof, and if Lessee promptly and diligently attempts to cure the default or breach, Lessor shall give Lessee reasonable additional time to cure the default or breach and Lessee shall pay Lessor for all costs incurred by Lessor as a result of Lessee's default and such payment shall be made promptly upon Lessee's receipt of written demand from Lessor.

2. No waiver of default by the Lessor of any of the terms, covenants, agreements or conditions hereof to be performed, kept and observed by the Lessee shall be construed to be a waiver of any subsequent default of any of the terms, covenants, agreements and conditions herein contained to be performed, kept and observed by the Lessee. The acceptance of Annual Rent or other fees by the Lessor for any period or periods after a default of any of the terms, covenants, agreements and conditions herein contained to be performed, kept and observed by the Lessee, shall not be deemed a waiver of any right on the part of the Lessor to terminate this Lease for failure by the Lessee to so perform, keep or observe any of the terms, covenants, agreements or conditions of this Lease.

C. Other Termination. The Lessor may terminate this Lease Agreement only by giving the Lessee thirty (30) days written notice and opportunity to cure, with or without process of law, upon or after the happening of any one of the following events:

1. If Lessee fails to cure any default set forth in Paragraph 10 B. 1. of this Lease within the periods set forth therein, Lessor may declare this Lease to be terminated and to re-enter the Premises or any part thereof, with or without the process of law, to expel, remove and put out Lessee or any other persons occupying the Premises. Lessee shall pay all costs, including reasonable attorney's fees and expenses and court costs that may arise in enforcing the covenants, conditions and terms of this Lease.

2. The filing by the Lessee of a voluntary petition in bankruptcy, or the institution of proceedings in bankruptcy against the Lessee and the adjudication of the Lessee as a bankrupt pursuant to such proceedings.

3. The taking of a court of jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal reorganization act.

4. The appointment of a receiver of the Lessee's assets.

5. The termination or other termination of any insurance policy issued in compliance with this Lease Agreement shall automatically terminate this Lease, unless another policy has been filed and approved pursuant to this Lease.

6. If the Lessee should breach any of the nondiscrimination covenants, Lessor shall have the right to terminate this Lease and to reenter and repossess said Premises and hold the same as if said Lease had never been made or issued.

11. TERMINATION BY THE LESSEE. The Lessee may terminate this Lease Agreement and terminate all or any of its obligations hereunder at any time that the Lessee is not in default in the payment of any rents or fees to the Lessor pursuant to this Lease by giving the Lessor sixty (60) days advance written notice of its intentions to discontinue its business activities at the Airport.

12. RIGHTS OF LESSOR. Lessor reserves the right to:

A. Operate the Airport in the best interest of the public and the right, without interference or hindrance, to maintain, improve, or further develop the landing area or public use facilities of the Airport as it sees fit, regardless of any protest of the Lessee and to lease additional space to other concessions at the Airport regardless of any objection of the Lessee. The Lessor may relocate the Lessee if the physical development of the Airport or the Airport Terminal requires relocation of the Lessee, provided the Lessor gives sixty (60) days' written notice to the Lessee and the Lessor compensates the Lessee for the Premises in one of the two following methods, at the Lessor's expense:

Method A. If the Lessor determines it has vacant land available at the Airport which is generally comparable in location to that being taken for development, then the Lessee shall relocate the Lessee-owned facilities to the new location in substantially similar form to that then existing. The Lessor shall reimburse Lessee within sixty (60) days for Lessee's actual expenses of relocation of its facilities, subject to Lessor's prior approval of the reasonableness of such expenses.

Method B. If Lessor determines that Lessee cannot be relocated as described in Method A above, then Lessor shall purchase from Lessee the Lessee-owned facilities, to which title shall then pass in fee simple to Lessor. The amount to be paid by Lessor to Lessee shall be the fair market value of the improvements taken.

B. Enter upon the Premises at any reasonable time for the purpose of making any inspection it may deem expedient to the proper enforcement of any of the covenants or conditions of this Lease and any federal, state, or city laws, ordinances, regulations, rules and codes now or hereafter in effect.

13. RIGHTS OF LESSEE.

A. Lessee shall have the right, but shall not be required:

1. In common with others so authorized, to use common areas of the airport, including runways, taxiways, aprons, roadways, floodlights, landing lights, signals and other conveniences for the take-off, flying and landing of aircraft.
2. To the non-exclusive use, in common with others, of the Airport, appurtenances and improvements thereon, but this shall not restrict the right of the Lessor to charge visitors a fee for the use of such areas.

3. To install, operate, maintain, repair and store, subject to approval of Lessor in the interests of safety and the convenience of all concerned, all equipment necessary for the conduct of Lessee's business.

4. Of access to and from the Premises, limited to taxiways, streets, driveways and sidewalks designated for such purposes by the Lessor, and which right shall extend to Lessee's employees, passengers, guests and patrons.

B. Lessee is authorized, but not required, to provide the services set forth above in Paragraph 3 B. 4. a. through k.

C. So long as Lessee conducts its business in a fair, reasonable and workmanlike manner, to peaceably have and enjoy the Premises, and all the rights and privileges herein granted.

14. MAINTENANCE OF BUILDINGS AND STRUCTURES. Lessee shall maintain the structures on the Premises, keep the Premises in good order, make such repairs as are customary, remove abandoned equipment from the Premises and shall not deposit the same on or any portion of the Airport except on such areas as shall be reasonably designated by Lessor. The Lessee shall be responsible for providing all customary and necessary janitorial and custodial services on the Premises.

15. TRANSFER OF INTEREST. Except as otherwise provided herein, Lessee may not, without the prior written consent of Lessor, which shall not be unreasonably withheld, conditioned or delayed at any time during the term of this Lease, sell, lease, assign, transfer or permit to be acquired, this Lease or any interest herein; provided, however, that Lessee may sublease the Premises to *Jet Center at Santa Fe Operations, LLC*, which shall be the operator of the FBO business located at the Premises and which shall be bound by all the terms and provisions of this Lease. Lessee may sublease any portion of the leasehold interest to parties who will provide aviation-related services permitted hereunder, and who accept the terms of this Lease Agreement pursuant to any sublease agreement. The Lessee shall, however, be permitted to enter into a leasehold mortgage, collateral assignment or security interest in the form approved by the Lessor, for construction and/or business operation financing purposes. However, the amount secured by such financing shall not exceed the value of the leasehold improvements on the Premises and the value of any other leasehold improvements owned by Lessee pursuant to leases (other than this Lease) between Lessor and Lessee. Leasing and subleasing of hangar and tie down space on the Premises, to individual aircraft owners, shall be allowed without Lessor's consent.

16. OBSERVATION OF LAWS, RULES AND REGULATIONS. Lessee and Lessor agree to observe and obey during the Term of this Lease, all laws, ordinances, minimum standards, rules and regulations promulgated and enforced by Lessor, and by any other proper authority having jurisdiction over the conduct of operations at the Airport, including the federal government, the state, the county and the City now or hereafter in effect.

17. UTILITIES, REFUSE AND SEWER. Lessee is responsible for providing all installation and service cost for all utility needs at Lessee's sole expense. Lessee agrees that if in the future

Lessor decides to provide sewer or refuse service, then Lessee will pay a reasonable and fair charge for such service(s). Until such time, Lessee shall be responsible for its own sewer service and garbage disposal.

18. ALTERATIONS AND IMPROVEMENTS.

A. Lessee shall not make or suffer or permit to be made any alterations, additions or improvements whatsoever in or about the Premises without first obtaining the written consent of the Airport Manager. If Lessor gives such consent, all alterations or improvements shall be done solely at Lessee's expense and in accordance and in compliance with all applicable municipal, state and federal ordinances, laws, rules and regulations. Alterations or improvements shall be compatible with the general decor of the Airport Terminal or with such design standards as the Lessor may adopt from time to time. Lessee has Lessor's consent to place temporary buildings on the Premises prior to, and during, construction.

B. Lessee shall allow no liens of mechanics, materialmen, laborers, architects, artisans, contractors or subcontractors to be created against or imposed upon the Premises. Lessee shall, upon request by Lessor, provide a labor and materialman's bond to cover all work and materials and labor arising out of such alterations, additions or improvements. No default shall occur if Lessee contests the amount or validity of any such lien, and actively litigates such claim to conclusion. Lessee may bond against such lien, as may be allowed by law, without constituting a default hereunder.

C. Any and all alterations, additions and improvements, except shelving, trade fixtures and movable furniture, made at Lessee's sole expense after having first obtained the written consent of Lessor, in accordance with the provisions contained in this section, whether attached to the walls, floors, Premises or not, shall belong to Lessee but shall merge and become a permanent part of the Lessor's realty and vest in Lessor upon termination of this Lease and all such alterations, additions and improvements shall remain on the Premises and shall not be removed by Lessee at the termination of this Lease without the permission of Lessor. The shelving, trade fixtures and movable furniture, or both, which Lessee is privileged to remove, must be removed by Lessee at Lessee's sole expense on or before the termination of this Lease.

19. DESTRUCTION OF PREMISES. If at any time during the Term of this Lease, the Premises shall be totally or partially destroyed by fire, earthquake, flood, or other calamity, then Lessor shall have the option to rebuild or repair the same, providing such rebuilding or repairing shall be commenced within a period of thirty (30) days after receipt of notice in writing to Lessor by Lessee that such calamity has occurred. In such case a just and proportionate part of the rental payment per month shall be abated until such demised property shall have been rebuilt and repaired. In case, however, Lessor within thirty (30) days following receipt of notice in writing by Lessee of such damage or destruction elects not to rebuild or repair said property, Lessor shall so notify Lessee and thereupon this Lease shall terminate and become null and void.

20. FAIR AND NONDISCRIMINATORY SERVICES. Lessee, in the conduct of its authorized business activities shall furnish good, prompt and efficient service in compliance with

all applicable laws, rules and regulations adequate to meet the demand for its services at the Airport, and shall furnish such service on a fair, equal and not unjustly discriminatory basis to all users thereof, and agrees to furnish such services at fair, equal and not unjustly discriminatory prices for each unit of sale or service; provided, however, that Lessee shall be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar types of price reductions to volume purchases. Lessee agrees to operate the business in an ethical and professional manner and shall keep the Premises in a safe, clean, orderly and inviting condition at all times, satisfactory to the Lessor. Lessee shall not permit its employees or agents to solicit customers on public property.

21. TITLE VI. CIVIL RIGHTS ASSURANCES.

A. The Lessee, for itself, its personal representatives, successors in interest, and assigns, as part of the consideration under this Lease, does hereby covenant and agree as a covenant running with the land that:

1. No person on the grounds of race, color, sex, disability or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of the Premises.
2. In the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, sex, disability or national origin shall be excluded from participation in, denied the benefits of, or otherwise subjected to discrimination.
3. The Lessee shall use the premises in compliance with all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally- assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

B. The Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, disability or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. The Lessee assures that no person shall be excluded on these grounds from participating in or receiving the service or benefits of any program or activity covered by this subject. The Lessee assures that it will require that its covered sub-organizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their sub-organizations, as required by CFR Part 152 Subpart E, to the same effect.

22. ENVIRONMENTAL PROTECTION.

A. Lessee shall not commit, or suffer to be committed, any waste upon the Premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of the Airport or surrounding property. Lessee shall provide, as necessary, a separate drainage, collection,

and/or separation system to ensure that no untreated liquid waste from any type of operation, including vehicle cleaning, fueling, and oil change operations, will enter the Airport storm drainage or sanitary system.

B. Lessee shall, at all times, comply with all applicable laws, rules and regulations of the federal, state and local governmental agencies. Lessee shall not permit any activity which directly or indirectly produces objectionable or unlawful amounts or levels of air pollution, noise, glare, heat emission, electronic or radio interference with navigational and communications facilities for the operation of the Airport and for Airport use by aircraft, trash or refuse accumulation, vibration, prop-wash, or jet blast, or which is hazardous or dangerous by reason or risk of explosion, fire or harmful emission. Any waste oil storage tanks shall be in approved containers and in accordance with all environmental and fire protection regulations.

C. Hazardous substances are any substance, material, or waste, (including any petroleum products, solvents, thinners, herbicides and soil sterilants and aircraft deicing fluids) which is or become designated, classified or regulated as being "toxic," "hazardous," a "pollutant," or is in the future given a similar designation under any federal state or local law, regulation or ordinance.

D. Lessee agrees to defend, indemnify and hold Lessor harmless from and against all liabilities, claims, actions, foreseeable and unforeseeable consequential damages, costs and expenses (including sums paid in settlement of claims and all consultant, expert and legal fees and expenses of Lessor's counsel) or loss directly or indirectly arising out of or resulting from the presence of any hazardous substance as a result of Lessee's or any sublessee's activities on the Premises, subsequent to the execution of this Lease but before, during or after construction, in or around any part of the property or the soil, groundwater or soil vapor on or under the property, including those incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any parties or to any natural resources. Upon demand by Lessor, Lessee shall defend any investigation, action or proceeding alleging the presence of any hazardous substance as a result of Lessee's or its subtenant's occupancy of the leased property, in any such location which affects the property or which is brought against the Lessor, whether alone or together with Lessee or any other person, all at Lessee's own cost and by counsel to be approved by Lessor in the exercise of its reasonable judgment. Should Lessee fail to defend such action, then Lessor may elect to conduct its own defense at the expense of the Lessee. Lessee shall comply and cause all occupants of the property to comply with all laws, regulations, and ordinances governing or applicable to hazardous substances. Lessee acknowledges that hazardous substances may permanently and materially impair the value and use of real property. Lessee shall promptly notify Lessor if it knows, suspects or believes, there may be any hazardous substance in or around the property or in the soil, groundwater, or on or under the leased property, or that Lessee or the property may be subject to any threatened or pending investigation by any governmental agency under any law, regulation, or ordinance pertaining to any hazardous substance. Lessee shall have no obligation to defend, indemnify, or hold harmless Lessor from any claims, causes of action, or damages which arise on account of Lessor's own conduct, the conduct of third parties

other than Lessee's subtenants, or which is attributable to pre-existing conditions or events over which Lessee exercises no control, even though the Premises may be impacted thereby.

23. NONEXCLUSIVE RIGHTS.

A. Lessee shall have the exclusive right and privilege of engaging in and conducting a business on the Premises under the terms and conditions set forth herein, provided, however, that this Lease shall not be construed in any manner to grant Lessee or those claiming under Lessee in this Lease the exclusive right to the use of the common areas and facilities of said airport other than the Premises.

B. Lessor shall have the right to lease other portions of the Airport or Airport Terminal to other lessees, including other ground, air and transportation services. Lessor shall not in the future lease any other Airport premises to any other lessees providing the same or similar services and activities authorized in Paragraph 13B of this Lease Agreement at rental rates or terms more favorable or less restrictive to the lessees than set forth in this Lease without Lessee's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Lessee understands and agrees that nothing in this Lease shall be construed as granting or authorizing the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958, as amended.

24. TAXES AND LICENSES.

A. The Lessee shall promptly pay any and all taxes, personal property tax, leasehold tax, gross receipts tax, transaction privilege tax or other exaction assessed or assessable and pay all license fees and permit fees applicable to the Lessee's operation, and acquire and keep current, all licenses, municipal, state or federal as the result of the Lessee's operations at the Airport pursuant to this Lease Agreement, and shall not allow any of said taxes, excises or licenses to become delinquent.

B. The Lessee shall not permit any mechanics' or materialman's or any other lien to be placed or foreclosed upon the Premises or improvements thereto. The Lessee shall have the ability to contest payment demand by a contractor. Should the Lessee withhold payments to a contractor, the Lessee shall be required, at the Lessor's option, to deposit with the Lessor or a court of competent jurisdiction, an amount equal to the amount in dispute.

25. LEASE OF PARCEL A TO LESSOR. Upon the termination of the Landmark Lease, Lessor will cause to be reconfigured the boundaries of Parcel A to remove any encroachment of Parcel B onto Parcel A. Thereafter the Lessor may, but need not, lease to the Lessee any or all of Parcel A and/or any rights appurtenant thereto, including, without limitation, the exclusive right to use the ramp area located west of Building 3002, all upon such terms and conditions as the Parties may then agree, taking into account Lessor's future needs relating to the expansion of the Airport Terminal. In the event that Lessor determines that it does not need to use Building 3002 for one (1) or more years, Lessor will lease Parcel A to Lessee for said period under a separate lease, upon similar terms and conditions to this Lease. Such Parcel A lease shall include the right to use the ramp area adjacent to Parcel A for the Parcel A lease term and, in the event

that Lessor determines that it needs to use Building 3002, but not the ramp area, the right to use the ramp area appurtenant to the use of Parcel A shall be granted to Lessee under a separate agreement.

26. SUBORDINATE PROVISIONS. This Lease shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States or the State of New Mexico relative to the operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal or state funds for the development of the Airport.

27. OBSTRUCTIONS. Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on the Airport which, in the opinion of the Lessor, would limit the usefulness of the Airport or constitute a hazard to aircraft. Lessee shall, upon approval by Lessor and prior to any construction of any nature within the boundaries of the Airport, prepare and submit to the Airport Manager and the Federal Aviation Administration, Airports District Office, 2601 Meacham Blvd, Ft Worth TX, 76137 one executed set (four copies) of FAA form 7460-1 "Notice of Proposed Construction or Alterations", as required by Federal Aviation Regulation Part 77. This notice must be submitted at least thirty (30) days prior to the date of the proposed construction/alteration or the date that an application for a construction permit is filed, whichever is earlier.

Should a Federal Aviation Administration Obstruction Evaluation determine that obstruction lights are needed or required on new construction, or should Federal Aviation Administration rules and regulations change to require obstruction lights on existing structures which previously did not require obstruction lights, Lessee agrees to install, maintain and operate such obstruction lights on the top of buildings or structures to be placed on the Premises. If Lessee fails to install, maintain and operate such obstruction lights then the Lessor shall have the right to install, maintain and operate the same at Lessee's expense.

28. AMENDMENT IN WRITING. No amendment between the Lessor and Lessee relative to the leasehold interest herein shall be valid and enforceable unless in writing and executed by both the Lessor and Lessee.

29. CHOICE OF LAW. In the event of contest or legal dispute regarding this Lease, this Lease shall be construed according to the laws of the State of New Mexico and any applicable City Ordinances.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

30. APPROVALS, CONSENTS AND NOTICES. Notices required to be given to the Lessor shall be hand-delivered, sent via email, overnight courier service, or by certified mail, postage prepaid, addressed to:

Airport Manager
Santa Fe Municipal Airport
P.O. Box 909
Santa Fe New Mexico, 87504-0909
505.955.2900
jrbulthuis@santafenm.gov

With a copy to: City Manager
P.O. Box 909
Santa Fe New Mexico, 87504-0909
505.955.6848
bksnyder@santafenm.gov

City Attorney
P.O. Box 909
Santa Fe New Mexico, 87504-0909
505.955.6961
kabrennan@santafenm.gov

Any approvals, consents and/or notices to be given to the Lessee shall be hand-delivered, sent via overnight courier service or sent by certified mail to:

Jet Center at Santa Fe Real Estate, LLC
Attn: John Marchman
c/o Felker, Ish, Ritchie, & Geer, P.A.
911 Old Pecos Trail
Santa Fe, NM 87505

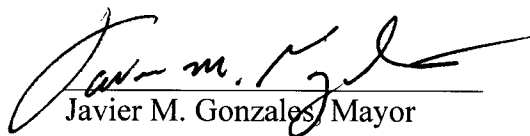
or to such other addresses as may be provided from time to time by each of the Parties to the other in accordance with the notice requirements of this Paragraph 30.

31. PARAGRAPH HEADINGS. The paragraph and subparagraph headings contained in this Lease are inserted for reference and convenience and are not intended to define or limit the scope of any provision of this Lease.

32. INVALID PROVISIONS. In the event any covenant, condition or provision contained in this Lease is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, conditions or provisions contained in this Lease shall not affect the enforceability of the balance of this Lease; provided that the invalidity of such covenant, condition or provision does not materially prejudice either the Lessor or the Lessee in its respective rights and obligations contained in this Lease.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed as of the day and year first above written.

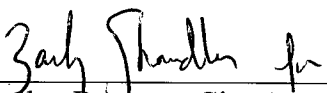
CITY OF SANTA FE:


Javier M. Gonzales, Mayor

ATTEST:

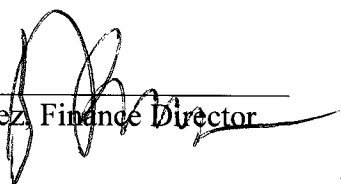
Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:



Kelley Brennan, City Attorney

APPROVED:



Oscar Rodriguez, Finance Director

JET CENTER AT SANTA FE REAL ESTATE, LLC

By: _____
Name: John Marchman
Title: Managing Member

STATE OF NEW MEXICO }
 }ss.
COUNTY OF SANTA FE }

This instrument was acknowledged before me on _____, by John Marchman, as managing member of Jet Center at Santa Fe Real Estate, LLC.

Notary Public
My Commission Expires: _____

PROPOSED DEVELOPMENT PLAN

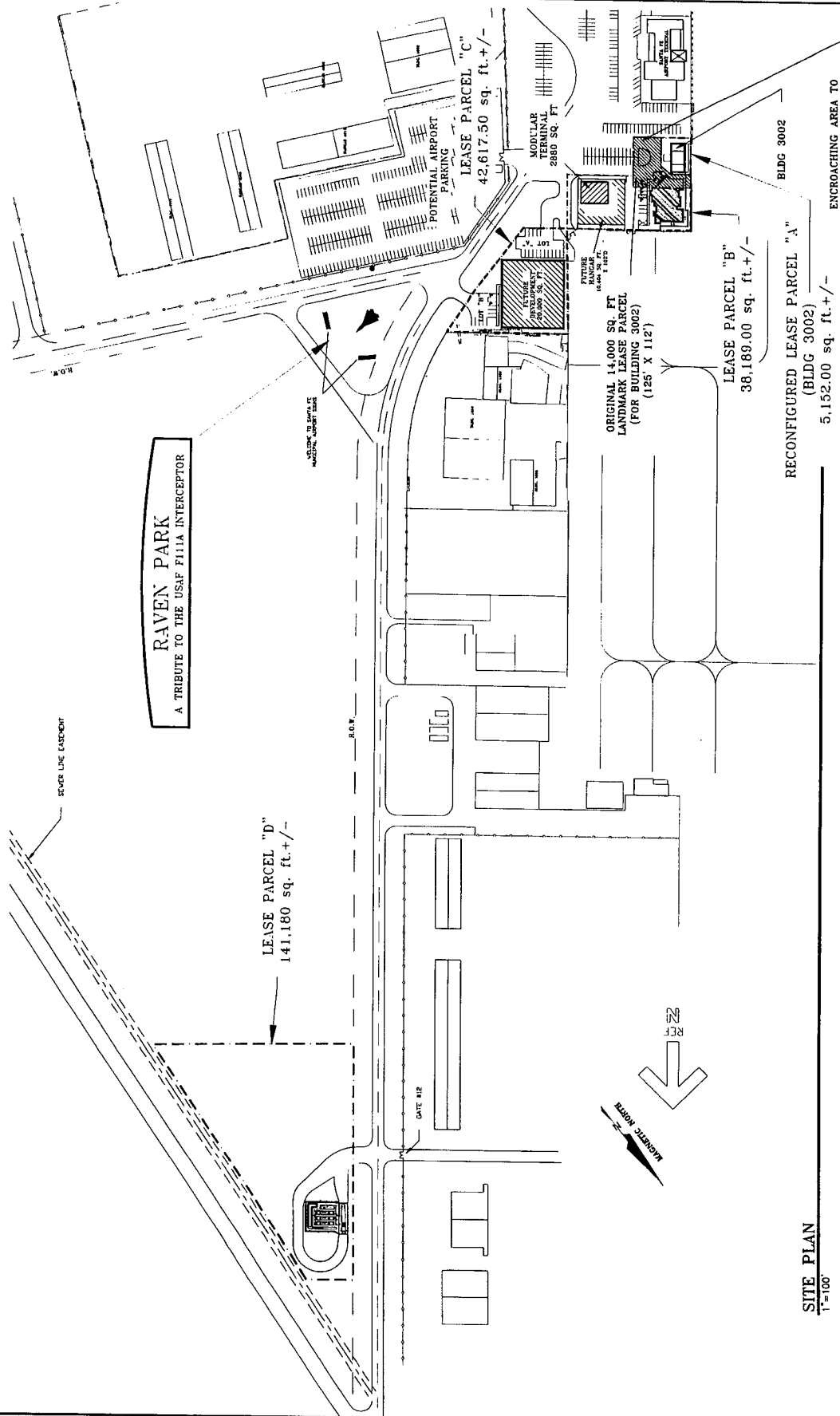
JET CENTER EAST SANITATION



DATE 02.20.15
 JOB # 14-00
 REMARKS

JET CENTER AT SANTA FE
 A NEW FIXED BASE OPERATION
 AT THE SANTA FE AIRPORT
 2014
 SANTA FE
 NEW MEXICO

REVISIONS
 SHEET NO 1 OF 1



LENGYEL & ASSOCIATES, 3241 SIRINGO ROAD, SANTA FE, NEW MEXICO

SITE PLAN
 1"=100'



Phase 1

- Jet Center at Santa Fe will construct a modular terminal of approximately 2,880 sq. ft., more or less, on Parcel "B" as identified in the Development Plan prior to beginning operations. The permitting and approval process will begin upon the approval of the lease by the City Council. Based upon the current schedule, and assuming no delays, we anticipate that this construction to be completed in May 2015. The initial expense for this building will be approximately \$90,000 for the first year, more or less, depending on final negotiation with selected contractor.
- We will also be constructing a permanent fuel farm sufficient to provide adequate capacities of both AvGas and Jet Fuel on Parcel "D" as indicated in the Development Plan at a projected cost up to \$350,000, more or less. This cost of this facility will ultimately be determined by the final price negotiated with vendors and contractors. Permitting, approval process and construction will begin immediately following approval of the lease by the City Council. Based upon the current schedule, and assuming no delays, we anticipate completion of this installation in May 2015.

Phase 2

- Upon completion of Phase 1 and once operations have begun, Jet Center at Santa Fe will begin the design, permitting and construction of a hangar of approximately 20,000 sq. ft., more or less, on Parcel "C" of the Development Plan. Depending on the time required for design and permitting, we plan to begin construction in the fall of 2015. Should we encounter unexpected delays, the commencement of construction may be delayed until the following year. Our projected investment in this project will be approximately \$2,000,000, more or less. This cost will be determined by final design and price negotiation with our selected contractor.

Phase 3

- Phase 3 of the Development Plan will include additional enhancements to our facilities with the construction of a new terminal building of approximately 3,000 sq. ft., more or less, to be located on Parcel "B" as indicated in the Development Plan; the removal of the modular terminal from Parcel "B" following the completion and occupancy of the new terminal construction; and, the addition of one hangar of approximately 10,000 sq. ft., more or less, located on Parcel "B" at the site of the proposed modular terminal. JCASF plans to begin construction these facilities between the third and fifth year of operations and projects a combined investment of approximately \$1,750,000, more or less, depending upon final design and price negotiation with vendors and contractors.

Development Timetable

All work will commence within thirty-six (36) months of the Effective Date of the Lease Agreement. All work will be completed within sixty (60) months of the Effective Date of the Lease Agreement. The Airport Manager may from time to time agree to modifications to the approved documents, including, without limitation, the approved schedule, to address changed or unforeseen conditions not attributable to Lessee's acts or failures to act and to the extent any such approved change extends the time for the commencement or completion of any phase of the work, the Lessor shall not be in default pursuant to Paragraph 10.

