

**LEASE AGREEMENT
BETWEEN THE CITY OF SANTA FE AND
RED LOTUS FILMS INTERNATIONAL LLC**

This LEASE AGREEMENT (Lease) is made and entered into by and between the CITY OF SANTA FE, a municipal corporation ("City" or "Lessor") and RED LOTUS FILMS INTERNATIONAL, LLC, a New Mexico limited liability company ("Lessee"), collectively the "Parties."

WITNESSETH:

In consideration of the Lessee's promises herein and the full performance of the condition precedent, Lessor grants Lessee a Lease, terminable as hereinafter provided, to enter on and make use of the real property of Lessor as follows:

1. PREMISES GRANTED

A. Exclusive Use. City allows Lessee to exclusively use and occupy, and subject to the terms and conditions of this Lease, that certain portion of existing City-owned property, as described below and shown on Exhibit B attached hereto and incorporated herein (the "Premises"). The Premises consists of the following City-owned real property and includes the City's personal property located within it:

<u>Within Garson Studios</u>	<u>Parking at Garson Studios</u>	<u>Mouton Hall</u>
Stage A: 14,526 square feet	205,316 square feet	8,500 square feet
Stage B: 7,189 square feet		
Stage C: 2,195 square feet		
Offices: 2,210 square feet		

B. Non-Exclusive Ingress and Egress to Premises on Grounds. City grants the Lessee non-exclusive ingress and egress to the Premises through the City-owned property at Midtown campus located at 1600 St. Michael's Drive in Santa Fe, New Mexico described and shown on Exhibit C-1 (the "Grounds"), subject to any existing or future leases from the City to others for portions of property on the Grounds that the City may, without limitation, enter into.

C. Condition. Lessee accepts the Premises and Grounds in its present state and agrees that it is in good condition, without any representation or warranty by City as to the condition of the Premises and Grounds or as to the use which may be made thereof.

2. EFFECTIVE DATE

This Lease Agreement shall become effective November 1, 2018 (the Effective Date).

3. TERM

A. Term. The term of this Lease shall commence at 12:00 a.m. on the Effective Date. The term of this Lease shall terminate at midnight on March 31, 2019 (the "Term").

B. One-Month Maximum Holdover. In the event Lessee remains in possession of the Premises after the expiration of the Term of this Lease, such possession may, at the sole option

Lessor, be continued for a maximum of one additional month and shall terminate no later than midnight on April 30, 2019, and the terms and conditions of the Lease shall be otherwise applicable.

C. Validity of Licenses. The expiration or termination of this Lease shall not affect the validity of any license which has received prior written approval by the City for use of the Premises, and which was made by the Lessee prior to the expiration or termination of this Lease.

D. No Renewal or Extension. This Lease may not be renewed or extended by the Parties. If Lessee wishes to have a lease agreement at the termination or expiration of this Lease, the Lessee shall contact the City at least two months prior to such expiration or termination to initiate discussions of a new lease agreement.

4. USE OF PREMISES

A. Licensed Use. Lessee shall use the Premises for the purposes of licensing the use of the Premises to film, television, and media production entities ("Production Entities") to use the Premises to produce films, broadcast media, or television shows ("Films") and for the purposes of commercial uses associated with the Production Entities' Allowed Use of the property.

Lessee shall not license or otherwise encumber the Premises for any other purpose, without prior written approval by the City. Lessee may use the Premises or portions thereof for other commercial uses of the Premises without notifying or seeking consent of the City.

B. Allowed Uses: The Lessee shall allow licensees to use and occupy the Premises for Film production, production office, parking, and storage uses related to the Films ("Allowed Uses"). Other commercial uses associated with Production Entities are allowed without the prior consent of the City. Production of obscene material, deemed by the Supreme Court of the United States as not protected by the First Amendment of the U.S. Constitution, is expressly understood to be prohibited and not an Allowed Use. Failure of the Lessee to restrict the use of the Premises as provided herein shall be deemed a substantial breach of this Lease and may constitute grounds for immediate termination by City.

C. Improvements and Alterations. Lessee shall not develop, improve, or otherwise alter, and shall not allow others to develop, improve or otherwise alter the Premises, without prior written approval by the City. Lessee shall own any improvements that the Lessee places, or causes to be placed, on the Premises during the Term of this Lease, unless the Parties agree otherwise in writing. Upon termination of this Lease, title to any and all such improvements shall pass to Lessor.

D. Trade Fixtures. Lessee shall not install trade fixtures on the Premises without prior written approval by the City. All trade fixtures installed by Lessee after the Effective Date of this Lease shall remain the property of Lessee, who shall remove the same upon termination of this Lease, provided that removal shall be done in such a manner as not to injure or damage the Premises.

In the event that Lessee fails to remove the trade fixtures, Lessor may require Lessee to remove the same. In the event that Lessee fails to remove said trade fixtures after receipt of notice from Lessor, Lessor may remove and dispose of the same as it sees fit and Lessee agrees to sell, assign, transfer and set over to Lessor all of Lessee's right, title and interest in and to said trade fixtures and any personal property not removed by Lessee. Lessee further agrees that should

Lessor remove said trade fixtures pursuant to this paragraph, that Lessee shall pay Lessor upon demand the cost of such removal, plus the cost of transportation and disposal thereof.

E. Repairs and Maintenance. Lessee shall not cause or allow any waste, damage, or injury to the Premises or to any improvements made to the Premises. Lessee shall, at its sole expense, keep and maintain the Premises in good and clean condition at all times and shall be responsible for the costs of any and all required repairs and replacements that arise during the Term of this Lease Agreement.

For the purposes of this Section 4.E, Unless otherwise approved in advance in writing by the City, Lessee's responsibilities for repairs and maintenance of the Premises shall not include major capital improvements such as repairs and replacements to major building systems such as roof membrane systems, heating/ventilation/air-conditioning systems, electrical and plumbing systems, roof and wall structural systems.

In the event Lessee fails to maintain the Premises at a standard acceptable to the Lessor as determined in Lessor's sole discretion, Lessor may terminate this Lease Agreement, in accordance with Section 17 herein.

F. Contractors. Any contractor used by the Lessee to repair, maintain or otherwise service the Premises shall be licensed, bonded and insured. These contractual arrangements and costs are the responsibility of Lessee and qualify as Operational Expenses, defined herein .

G. Weight Loads. Lessee shall not allow any vehicles or heavy equipment in the licensed stages on the Premises, without the prior written authorization of the City.

H. Security Guards and Fire Protection Personnel. City shall not bear any responsibility to provide, pay for or otherwise provision security guards and/or fire protection personnel, which Lessor, Lessee, or Licensee may reasonably require for the protection of their respective property and the Premises.

I. Fires, Firearms, Explosives, and Hazardous Wastes. Lessee shall not conduct any dangerous or illegal activities at the Premises, keep any toxic, hazardous, dangerous or offensive materials on the Premises; keep substances or articles in or about the Premises or any other part of the City's property which will in any way impair or invalidate, or increase the premium costs of insurance policies carried by the City.

Lessee shall not light fires or discharge firearms, smoke effects, or explosives on or about the Premises without having first obtained all necessary permits from any and all appropriate governmental authorities and permission from the City's Fire Chief. Lessee shall in all cases have employed or require licensee to employ a licensed operator to discharge firearms or explosives. Lessee shall secure or shall ensure that any Licensee has secured, at the end of each production day, all firearms and explosives brought on the Premises by Lessee or Licensee.

Lessee hereby specifically indemnifies and agrees to hold the City and the City's employees, officers, managers, agents and assignees harmless from and against any and all liability, causes of action, damages, costs or expenses, including without limitation reasonable outside attorney's fees, directly arising out of or in any way connected with the use or possession by Licensee of firearms, fires, smoke effects, noxious gases and explosives at the Premises.

Lessee shall have the sole responsibility for the daily removal and legally proper disposal of all hazardous wastes from the Premises. Lessee shall not spray or otherwise utilize any toxic or hazardous material inside the Premises without prior written consent from the City. Any such approved use of toxic or hazardous material shall comply with all applicable legal requirements. Under no circumstance shall Lessee alter in any way, or use for any production purpose, any fire

hose, sprinkler system or equipment supplying water to the hoses or sprinkler system.

J. Security. The City reserves the right, in its reasonable but sole discretion, to refuse admittance to the Premises to any employee or other person associated with Licensee who behaves in a negligent or dangerous manner that could result in harm to the Premises, other City buildings, or people.

K. Photographic rights. City hereby acknowledges that City does not have any interest in Lessee's or Licensee's still photography, film or other recording on or of the Premises, nor any right of action against Licensee or any other party arising out of any use of said photography. City hereby grants to Lessee, its successors, licensees, and assigns the irrevocable and perpetual right, worldwide, in any manner and in any media to use and exploit the films, photographs, and recordings made of or on the Premises in connection with the Films in such manner and to such extent as Licensee desires in its sole discretion. Lessor and its licensees, assigns and successors shall be the sole and exclusive owner of all rights of whatever nature, including all copyrights, in and to all films, photographs and recordings made on or of the Premises, in perpetuity, throughout the universe. City has no rights of whatever nature, including without limitation all copyrights, in all films, photographs and recordings made of or on said Premises in connection with the Film and including, without limitation, the exclusive right to assign and/or license Lessee's or Licensee's rights without restriction or impairment of any kind.

In the event of a breach of this Lease by Lessor or breach of the License by Licensee, City shall not have the right to enjoin or otherwise restrain the production, marketing, or exploitation of the Film.

L. Confidentiality. The City shall not use any name, logo, Film title, trademark or other proprietary mark of Lessee or its licensees in any manner. The City agrees to not officially publicize, advertise or promote the appearance of the Premises in the Films, without the prior written consent of Licensee. The City's confidentiality obligations hereunder shall apply to any and all media, including, without limitation, any social networking site; microblogging service; user-generated or user-uploaded content website; online forum, discussion thread or comment section; personal website or blog; user modified website; or any other website, service, platform, application or other form or method of communication, whether now known or hereafter devised (e.g., Facebook and Twitter). Lessee acknowledges that the owner and lessor of the Premises is the City of Santa Fe, a municipal corporation and political subdivision of the State of New Mexico and, as such, is required to comply with the State of New Mexico Inspection of Public Records Act (IPRA) and, to the extent that City possesses written or electronic information about the Film, that City may be required by law to release that information pursuant to an IPRA information request.

In acknowledgement of the above, and to maintain confidentiality regarding the Film, the Parties agree as follows:

(i) Lessee shall not transmit to City any information regarding the Film that any licensee desires to remain confidential including, without limitation, information and photographs regarding Licensee, participants in the Film (e.g., actors, producers, crew, etc.), the set, storylines and methods of production of the Film and any other non-public information (whether written, electronic, graphic or any other form).

(ii) City shall use reasonable care in its responses to IPRA requests to protect, as allowed by law, any of Lessee's or Licensee's confidential information.

M. Compliance with Laws. Use of the Premises shall at all times be in compliance with the City of Santa Fe Municipal Code and other applicable local, state and federal regulations including but not limited to compliance with the City of Santa Fe Integrated Pest Management Policy (§10-7 SFCC 1987) and the City's Noise Ordinance (§10-2 SFCC 1987). Failure of Lessee to comply with conditions of use of the Premises as provided herein shall be deemed a breach of this Lease and may constitute grounds for termination of this License by the City pursuant to Section 16 of this Lease.

N. Stage Manager. The Lessee shall cause its licensees to be solely responsible to contract with and assume all costs for a Stage Manager approved in advance in writing by the City. The Stage Manager shall comply with all legal, regulatory, and contractual requirements for use of the Premises and shall seek and obtain prior written approval by the City for the Lessee or its licensees to use certain personal property in the production of the Film. The Stage Manager shall regulate Licensees' ingress and egress to the Premises over the Grounds.

O. Condition of Premises upon Surrender. Upon expiration or termination of this Lease, Lessee shall, at its expense, strike and remove all sets, materials and equipment placed upon the Premises by Lessee other than the personal property purchased as an Operating Expense, clean such Premises, steam clean office carpet, and remove all residue and articles of rubbish so as to leave the Premises in substantially the same condition as when Lessee took possession thereof, reasonable wear and tear excepted. In the event Lessee lays materials on or paints any portion of the stage floor, wall, or cyclorama, or makes any alterations as described herein with the City's approval, Lessee shall either restore or compensate the City for restoration of that portion of the premises. Further, to the extent deemed necessary by the City due to the condition of the Premises, the cost of a professional cleaning service will be charged to the Lessee, provided that the City shall provide Licensee with three (3) days prior written notice via email and an opportunity to clean Premises prior to the City charging for such cleaning.

Pursuant to its obligation under the Lease, Lessee specifically agrees to repaint the stage floors whichever stage(s) Lessee uses (Stage A, Stage B and/or Stage C) in a reasonable and professional manner under the direction of the Stage Manager as follows: Dunn-Edwards Rustoleum matte water-based urethane, "Walrus" color; for Stage A, minimum 25 gallons; for Stage B, minimum 12 gallons; for Stage C, minimum 7 gallons. Amounts may be doubled if a second coat is required at the discretion of the City or Stage Manager. For the Green Screen, the use of Mann Brothers paint (or equivalent), is required, in the color, Digital Green – Vara Bond, Acrylic Latex Flat.

P. Failure to Comply. Failure of Lessee to comply with conditions of use of the Premises as provided herein shall be deemed a breach of this Lease and may constitute grounds for termination of this Lease by the City.

5. LICENSES

A. Duty to License Use of Premises. Lessee shall license portions of the Premises to Production Entities (a.k.a., "Licensees"). Lessee shall be the "Licensor" to Licensees of the Premises. Lessee shall enter into a license agreement for use of the Premises or a portion thereof with OLG Productions LLC, a Production Entity, and Lessee shall actively pursue and enter into licenses with other Production Entities for the use of the Premises or portions thereof.

B. No Licensing Use of Grounds. Lessee may not license the use of portions of the Grounds to Production Entities.

C. Form License. Lessee shall use the form license agreement ("Form License"), attached as Exhibit A, incorporated herein, to license the use of the respective Premises or portions thereof, to respective Production Entities. The licensing of the City's personal property is not included on the Form License and must be approved in writing before any license may be entered into.

D. City Approval Required. Prior written approval by the City shall be required before Lessee may enter into any License agreement.

E. Acceptance and Feasibility. In entering this Lease, Lessee agrees that the explicit terms in the Form License are acceptable to the Lessee and feasible for the Lessee to execute.

F. Termination or Expiration of License. Lessee shall immediately notify the City upon any one or more of the following events: Lessee's receipt of notice that a Licensee intends to terminate a license with Lessee; Lessee's intent to terminate a license with Licensee; or the termination or expiration of a License.

6. ASSIGNMENT OF PAYMENTS DUE UNDER TEMPORARY LICENSE AGREEMENT WITH OLG PRODUCTIONS LLC

The City hereby assigns to Red Lotus the City's rights for all outstanding payments due under the Temporary License Agreement between the City and OLG Productions LLC dated September 21, 2018 (City Item #18-1045). Lessee has the right to receive all outstanding payments owed from OLG Productions LLC to the City thereunder, and within five (5) of receipt by the Lessee of those payments, the Lessee shall pay the City the full amount of those payments.

Such payments shall not be included in the calculation or payment of Rent under Section 7 of this Agreement.

7. RENT

During the Term of and in consideration of this Lease Agreement and the demise of the Premises by Lessor to Lessee, Lessee hereby agrees and covenants with Lessor to pay for said Premises including all of the following:

A. Base Rent: Lessee will remit monthly base rent ("Base Rent") in the amount of Thirteen Thousand Five Hundred Dollars (\$13,500.00) to the City for use of the Premises on the first day of each month in which the use accrues for duration of the Term.

i. Revised Base Rent. If an MAI-certified appraiser licensed by the State of New Mexico establishes via a real estate appraisal ("Appraisal") that the monthly fair market rent (the "MFMR") of the Premises differs by more than 5% from the Base Rent as stated herein, then the Lessor shall obtain the Appraisal and notify Lessee of the Base Rent established thereby. The revised base rent ("Revised Base Rent") shall equal the MFMR

in the Appraisal and will be due on the first day of the month after the expiration of sixty (60) days notice to the Lessee.

ii. Termination. Upon notification of the Revised Base Rent by Lessor, Lessee may terminate this Lease in accordance with Section 17 herein. In such event, the Parties agree to negotiate in good faith to establish the amount of the Base Rent due for the period that Lessee occupied the Premises prior to termination.

iii. Base Rent After September 30, 2019. In the event a month-to-month tenancy exists on October 1, 2019 and an Appraisal has been completed, and no new Base Rent has been established, then the Base Rent for any month beginning October 1, 2019 shall equal the Revised Base Rent. If no such Appraisal has been established, then the Base Rent shall be determined by increasing the previous year's monthly Base Rent by an amount calculated by multiplying the previous year's monthly Base Rent by two and one-half percent (2.5%). The Base Rate of any additional year shall be determined by increasing the previous year's monthly Base Rent by an amount calculated by multiplying the previous year's monthly Base Rent by two and one-half percent (2.5%).

B. Net License Income: Lessee shall pay to the City without demand and by the first day of the following month after any Gross License Income is received by the Lessee, the following: 100% of the Net License Income.

i. Net License Income equals the monthly gross income from all licenses ("Gross License Income"), less eligible direct out-of-pocket operational expenses in furtherance of this Lease for that month ("Operational Expenses"), less the Base Rent or Revised Base Rent, whichever applies to that month, and less a monthly administrative fee ("Administrative Fee") of Six Thousand Dollars (\$6,000.00). For any individual Operational Expense to be eligible for deduction from the Gross License Income, such expense must be less than Five Hundred Dollars (\$500.00), unless prior written approval is obtained by the City. In addition, prior written City approval is required if the total Direct Operational Expenses in any given month exceeds Ten Thousand Dollars (\$10,000.00).

Net License Income =

Gross License Income - Operational Expenses - Base Rent/Revised Base Rent - Administrative Fee.

ii. The term "Operating Expense" shall mean any and all expense incurred by Lessee in connection with the operation, maintenance and repair of the Premises and as necessary for Licensees' production of Films, including, but not limited to, the following: purchases of personal property including without limitation durable, moveable equipment such as refrigerators, washer and dryers, microwaves and coffee machines which are not considered a fixture; charges or fees for, and taxes on, the furnishing of electricity, fuel, water, sewer, gas oil and other utilities; security; pest control; cleaning of windows; janitorial services; trash and snow removal; landscaping and repair and maintenance of grounds; governmental permits; cleaning supplies; services or management contracts with independent contractors; and the costs of any other items which, under generally accepted accounting principles consistently applies to the Premises. Operating Expenses shall not include any expense which is paid by a licensee, interest, amortization, or other payments on loans to Lessee, whether secured or unsecured; insurance costs; depreciation of the

Premises or other said improvements; ground rent; leasing commissions; salaries, wages or other compensation paid to officers or executives of Lessor; and income, excess profits or other such taxes imposed on the income of the Lessee from the operation of the Project. All personal property purchased or the value thereof, shall remain on the Premises and become the personal property of the City upon the termination or expiration of this Lease.

iii. Any payment due under the Lease not received by the City within fifteen (15) days of the due date shall be subject to a late payment penalty of five percent (5%) of the amount due.

C. Sole Financial Responsibility. In consideration for Lessee's use of the Premises as granted by this Lease, Lessee assumes sole financial responsibility for the operation and maintenance of the Premises and shall operate and maintain the Premises at no cost to the City, unless as otherwise provided for herein. The City is not liable or otherwise responsible for any Operating Expense, cost, or Administrative Fee.

8. RECORDS, ACCOUNTS, AUDITS

A. Monthly Report. When Lessee remits the monthly Rent to the City, Lessee shall, without demand, provide to the City a monthly and "to-date" report that shall include all of the following items:

- i. Amount due from each Licensee per building and real and personal property licensed;
- ii. Amount paid by each Licensee to Lessee;
- iii. Operational Expenses with supporting documentation including without limitation, invoices, and prior written City approval, as applicable herein; and
- iv. The dollar amount retained by Lessee from the Gross License Income.

B. Lease Summary Report. At the termination or expiration of this Lease, Lessee shall submit, without demand, a written summary report "Lease Summary Report" pertaining to all Gross License Income, Operational Costs, Base Rent/Revised Base Rent, and Net License Income for Term.

C. License Summary Report. At the termination or expiration of any License during the Term of this Lease, Lessee shall submit, without demand, a written summary report "License Summary Report" pertaining to all Gross License Income, Operational Expenses, Base Rent/Revised Base Rent, and Net License Income for each respective license.

D. Separate Account. All Gross License Income must be deposited and maintained in a separate account and shall not be co-mingled with any other funds.

E. City Records Inspection and Audit. The Lessee shall maintain, throughout the Term of this Lease and for a period of six years thereafter, all records pertaining to this Lease and Licenses, including but not limited to all amounts received and paid, invoices, receipts and financial accounts. These records shall be subject to inspection upon request by the City. The City shall be entitled to cause independent certified public accountants to conduct an audit of the books and records maintained pursuant to this Lease. The right to conduct an audit includes the right to make tests of the Lessee's accounting records and such other auditing procedure that are appropriate under the circumstances. The audit may be conducted after reasonable notice during regular business hours.

9. UTILITIES & SERVICES

Beginning on the Effective Date and until the termination of this Lease Agreement, the responsibility and costs for providing utilities and services to the Premises shall be the responsibility of the Parties as specified below:

A. Responsibility of Lessor. All natural gas, electricity, domestic water, and sanitary sewer service shall be provided to the Premises by Lessor. Any water usage that exceeds regular and reasonable requires prior written approval from the City and may be subject to additional fees. City shall not be liable for failure or interruptions resulting from any cause including, but not limited to, generator failure, or failure or breakdown of public utility services and equipment, acts of God, force majeure, or from good faith acts or decisions of the City, but excluding the willful or intentional misconduct or gross negligence of City.

B. Responsibility of Lessee. All telephone, cable, or satellite television, wired or wireless internet, security alarm services, solid waste collection services, and cleaning services shall be performed or coordinated and paid for by Lessee. Any utilities or services not specified herein shall be the responsibility of the Lessee. Any and all labor, material and utility service rate increases incurred by the City for services provided to Lessee or its licensees during the term of this Lease shall be paid by Lessee. The City shall notify Lessee of all rate increases before commencing such services to Lessee.

10. TAXES

Lessee shall pay all taxes levied and assessed, if any, upon any personal property, buildings, fixtures, and improvements belonging to Lessee and located upon the demised premises, and all leasehold and possessory interest taxes levied or assessed by any proper taxing authority.

11. ASSIGNMENT OR TRANSFER; NO SUBLEASING

Lessee shall not assign or otherwise transfer this Lease, without the prior written approval of the City. Lessee shall not sublease the Premises. Any actions taken by Lessee in violation thereof may be subject to the immediate termination of this Lease.

12. INSURANCE

Lessee shall at all times maintain and provide adequate insurance coverage which includes, without limitation, each of the following:

A. Property Insurance. Lessee shall carry and maintain in full force and effect during the term of this Lease Agreement special form ("all risks") property insurance for all improvements to the Premises in an amount sufficient for the full replacement cost of existing structures and improvements if lost or damaged by all perils covered under such special form property insurance. Lessee shall cause the City of Santa Fe to be named as Loss Payee on such policy of insurance.

B. Commercial General Liability Insurance. Lessee shall carry and maintain in full force and effect during the term of this Lease Agreement, Commercial General Liability insurance, which shall be written on an occurrence based form, covering bodily injury (including death), personal and advertising injury, and property damage, in a form and with an insurance company acceptable to Lessor, with limits of coverage not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Said policy shall include broad form contractual liability coverage and shall be endorsed to name the City of Santa Fe, its officials, employees, and agents as additional insureds. Any excess or umbrella liability insurance maintained by Lessee shall also be

endorsed to name the City of Santa Fe, its officials, employees and agents as additional insureds.

C. Workman's Compensation Insurance. Lessee shall carry and maintain in full force and effect during the Term of this Lease Agreement, workers' compensation insurance at statutory limits for its employees working at the Premises, and Employer's Liability coverage with limits of not less than \$1,000,000 per accident or disease. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City of Santa Fe.

D. Primary and Non-contributory. All insurance required to be maintained by Lessee under this Lease shall be primary and any insurance or self insurance maintained by Lessor shall not be required to contribute with it.

E. Certificates of Insurance. Within ten (10) days of the Effective Date of this Lease Agreement, and thereafter at any time during the Term of this Lease Agreement that Lessor requests, Lessee shall provide Lessor with certificates of insurance for each policy evidencing that the coverage required hereunder is current. Such policy shall provide that the coverage evidenced thereby shall not be terminated or modified for any reason without thirty (30) days prior written notice to the Lessor. A certificate or policy which states that failure to give such notice imposes no obligation on the part of the insurer shall be unacceptable to Lessor, and Lessee shall be responsible for removing such language from such certificate or policy.

All policies of insurance shall be written by an insurer with an A. M. Best rating of not less than A- (Excellent), Financial Size Category VII, and must be authorized to do business within the State of New Mexico.

F. License Agreements. Lessee shall cause any and all License agreements, or other agreements related to use, occupation, or development of the Premises, that Lessee enters into to contain language that requires the City of Santa Fe, its officials, employees and agents to be named as an additional insured on commercial general liability policies and loss payee on property insurance policies as provided in this Section 12.

G. Waiver of Subrogation. Lessee hereby grants to the City a waiver of any right to subrogation which any insurer of Lessee may acquire against the City by virtue of the payment of any loss under such insurance. Lessee agrees to obtain any endorsements that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether the City has received a waiver of subrogation endorsement from the insurer.

The City shall have no obligation to allow access to the Premises until and unless Lessee has provided to the City the certificates of insurance required above.

13. INDEMNIFICATION

Lessee shall indemnify, hold harmless and defend Lessor, its agents, officials, officers, and employees against all losses, damages, claims or judgments, including payment of all attorney's fees and costs, on account of any suit, judgment, execution, claim, action or demand whatsoever arising from Lessee's use, maintenance and occupancy of the Premises hereunder, including use of the Premises by Lessee's employees, agents, representatives, Sublessees, tenants, contractors, agents, guests, invitees or allowed assigns. Lessee shall cause any and all agreements that Lessee enters into with any of the above parties to contain language indemnifying the Lessor as provided in this Section.

14. LAWS AND REGULATIONS

A. Compliance with Laws. In connection with its use of and activities in and about the Premises, Grounds and other City property, Lessee, at its sole expense, shall comply, and shall cause its agents, employees, contractors, representatives, guests, invitees and licensees to comply, with all applicable laws, orders and regulations of federal, state, county or municipal authorities, and with any direction of any public officer pursuant to law which shall impose any violation, order, or duty upon the City or the Lessee or its licensees with respect to any part of the City premises used by Lessee hereunder and that arise out of Lessee's particular use of the Premises.

B. Safety. Lessee guarantees that all facilities and equipment furnished by it will conform to, and Lessee agrees to comply with and to cause its licensees to comply with, all safety regulations set forth by OSHA, the California Division of Industrial Safety Orders, the EPA AQMD, and other environmental pollution and toxic waste control and protection agencies, and safety guidelines that may be issued by the Motion Picture Safety Committee, and all other federal, state, county, municipal and local rules and regulations. Any and all paints and other coloring materials, lacquers and other finishes, solvents and thinners, cleaning or detergent agents, or otherwise potentially harmful, hazardous or toxic materials, liquids, substances, and other contaminants must be removed from, or caused to be removed from, the Premises by Lessee at Lessee's expense, after use of the same has been completed. During such use, such materials shall be kept in a safe and contained manner. The City shall charge to Lessee, and Lessee covenants and agrees to pay, all costs caused by, relating to, or arising from the removal and/or disposal of any and all such materials or substances discharged by Lessee or its licensees or otherwise not removed from the premises by Lessee and any and all fines, assessments, and penalties that may be incurred or imposed upon the City, Lessee, or licensees as a result of such malfeasance by Lessee.

15. EASEMENTS

Lessor reserves the exclusive right to grant access, utility or other easements on or through the Premises. Lessor shall notify Lessee in writing prior to Lessor's grant of any easement through the Premises.

16. CITY ACCESS

The Lessee shall allow the City and/or its agents or assigns access to the Premises for periodic inspections, maintenance or public rights-of-way, maintenance and operation of parking facilities or other City facilities and/or public spaces, accepted by the City for maintenance, and for such other purposes as the City may have, provided that nothing herein shall be deemed a requirement to allow the City to occupy any part of the Premises leased to the Lessee, nor to interfere with the Lessee's quiet enjoyment of the Premises.

17. TERMINATION

A. Termination by Lessor.

i. Lessor may terminate this Lease Agreement with written notice to Lessor at least thirty (30) days prior to the termination date; or

ii. Lessor may terminate this Lease Agreement upon Lessee's failure to comply with any provisions contained herein. Prior to termination, Lessor shall hand deliver or mail notice to Lessee via certified or registered mail specifying:

- (a) the breach;
- (b) the action required to cure the breach;
- (c) a date, not less than fifteen (15) days from the date the notice is hand delivered or mailed to Lessee, by which such breach must be cured; and
- (d) that failure to cure such breach on or before the date specified in the notice will result in termination of the Lease Agreement.

B. Termination by Lessee. Lessee may terminate this Lease with written notice to Lessor at least sixty (60) days prior to the termination date.

18. SURRENDER OF PREMISES

Lessee shall quit and surrender the demised Premises and all equipment and personal property contained on and in the demised Premises to Lessor at the end of the term of this Lease in the same condition as at the date of the commencement of this Lease, ordinary use and wear excepted.

19. NOTICE

Any required notice will be deemed delivered, given and received (i) when personally hand delivered, or (ii) five days after the same are deposited in the United States mail, postage prepaid, registered, addressed to the applicable Party at the address indicated below for such Party, or at such other address as may be designated by either Party in a written notice to the other Party:

To Lessor:

City Manager
City of Santa Fe
P. O. Box 909
200 Lincoln Ave.
Santa Fe, NM 87504

To Lessee:

Attn: Claudio Ruben
Red Lotus Films International, LLC
P.O. Box 32173
Santa Fe, NM 87594

with a copy to:

City Attorney's Office
City of Santa Fe
P. O. Box 909
200 Lincoln Ave.
Santa Fe, NM 87504

20. NO WAIVER

No waiver of a breach of any of the provisions contained in this Lease Agreement shall be construed to be a waiver of any succeeding breach of the same or any other provisions.

21. SEVERABILITY

In the event that one or more of the provisions contained in this Lease Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

22. ENTIRE AGREEMENT

The foregoing constitutes the entire Lease Agreement between the Parties, represents their

entire understanding, and defines all of their respective rights, title and interests as well as all of their duties, responsibilities and obligations. Any and all prior agreements and understandings between the Parties related to the Premises, if any, are merged herein. This Lease Agreement shall not be modified or amended except by a written document signed by the Parties hereto.

23. BINDING EFFECT

This Lease Agreement shall be binding upon and insure to the benefit of the Parties hereto and their respective successors and allowed assigns.

24. LITIGATION EXPENSE

In the event of litigation between the Parties, each Party shall be responsible for its own litigation expenses.

In the event of litigation between Lessee and its Licensees in which Lessor is named, Lessee shall pay any necessary costs, including reasonable attorney's fees, expenses and other costs of collection or otherwise, which Lessor shall incur in enforcing this Lease Agreement or in recovering any and all damages caused to the Premises by Lessee, or Lessee's Licensees, contractors, agents, employees or allowed assigns.

25. APPLICABLE LAW; VENUE

Lessee shall abide by all applicable federal and state laws and regulations, and all ordinances, rules and regulations of the City of Santa Fe. In any action, suit or legal dispute arising from this Lease, Lessee agrees that the laws of the State of New Mexico shall govern. The Parties agree that any action or suit arising from this Lease shall be commenced in a federal or state court of competent jurisdiction in New Mexico. Any action or suit commenced in the courts of the State of New Mexico shall be brought in the First Judicial District Court of the State of New Mexico.

26. FORCE MAJEURE

Failure of the City to comply with the terms and conditions hereof because of an Act of God, force majeure, labor troubles, war, fire, riot, earthquake, act of public enemies, action of governmental authorities (federal, state or local), unavailability of power, transportation, stages, production facilities or materials, or for any other reason beyond the reasonable control of the City, shall not be deemed a breach of this License, and the City shall not be liable to Licensee for any consequential damages. Except for the obligations to pay license fees and additional charges, the provisions of this Paragraph shall apply equally and reciprocally to Lessee.

27. HEADINGS

The section headings contained in this Lease Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Lease Agreement.

28. AMENDMENT

This Lease Agreement shall not be altered, changed or modified except by an amendment in writing executed by the Parties hereto.

29. RECORDING - SHORT FORM MEMO

This Lease shall not be recorded in its entirety. If desired by either party, both parties shall execute in recordable form a short form memorandum of this Lease which may be placed of record.

30. REPRESENTATION ON AUTHORITY OF SIGNATORY

The signatory for the Lessee represents and warrants that he or she is duly authorized and has the legal capacity to execute and deliver this Lease. The Lease represents and warrants that the execution and delivery of the Lease and the performance of the Lessee's obligations hereunder have been duly authorized and that the Lease is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

31. ATTACHMENTS

All exhibits are fully incorporated herein and made a part of this License.

32. COUNTERPARTS

This License may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

33. CITY APPROVAL

Any City approval required herein shall be done by the City Manager or his or her designate.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of this
14th day of December, 2018.

LESSOR:
CITY OF SANTA FE



ALAN M. WEBBER

APPROVED AS TO FORM FOR LEGAL SUFFICIENCY:



THERESA CHEEN, ASSISTANT CITY ATTORNEY

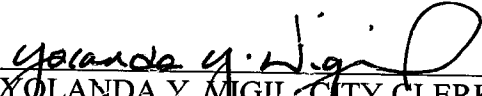
APPROVED:

 10/31

MARY MCCOY, FINANCE DIRECTOR AM

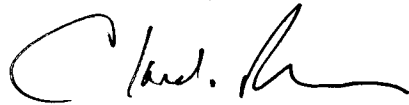
BUSINESS UNIT LINE ITEM:
51910.460350

ATTEST:



YOLANDA Y. MIGIL, CITY CLERK
cc mtg. 10/31/18

LESSEE: RED LOTUS FILMS
INTERNATIONAL, LLC



CLAUDIO RUBEN, OWNER & MANAGING
MEMBER

[ACKNOWLEDGEMENT ON FOLLOWING PAGE.]

ACKNOWLEDGEMENT

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

The foregoing instrument was acknowledged before me this 11th day of December 2018, by CLAUDIO RUBEN, Managing Member of RED LOTUS FILMS INTERNATIONAL, LLC, a New Mexico limited liability company.

Celeste A. N. Valente
NOTARY PUBLIC

My Commission Expires: June 15, 2020
(SEAL)

