

City of Santa Fe, New Mexico

memo

Date: January 10, 2014

To: Finance Committee

From: Francey Jesson, Airport Manager 

Via: Jon Bulthuis, Transportation Director

RE: Supplemental Memo

This memorandum is submitted and in response to questions raised at the January 6, 2014 Public Works Committee meeting regarding agenda item #12, as captioned:

- Request for approval of proposed update to commercial landing fees at Santa Fe Municipal Airport from \$.90/1,000 lbs. to \$3.00/1,000 lbs. of certificated maximum landing weight for aircraft being operated under either a Part 121 (airline) or Part 135 (charter) operating certificate and in excess of 12,500 pounds maximum gross weight.
- Request for approval of proposed update to Fire Protection Fees to reflect current language in airport leases.

Specifically, members of the Committee requested staff to provide examples of landing fees at other airports similar to Santa Fe Municipal Airport by means of comparison. Staff contacted 17 airports located in New Mexico, Colorado, Texas, Kansas and Arizona. Fifteen airports responded.

Airports were selected to represent a sample of airports in the region and of similar size or activity. All airports surveyed have commercial service of some sort, whether scheduled airline or charter. Albuquerque International is represented not due to similarity but because of its proximity to Santa Fe.

Airports were asked:

- What they charge per aircraft landing,
- If they charge a different landing fee rate for different types of landings,
- When was the last time they updated their landing fees.

The table below shows the data collected.

Airport	City, State	Landing Fees (per 1,000 lbs)	Last Updated
Flagstaff Pulliam Airport	Flagstaff, AZ	\$1.05	Unknown
Aspen/Pitkin County Airport	Aspen, CO	Signatory \$4.95, Non-Signatory \$6.92	Jan 2014
Walker Field	Grand Junction, CO	Signatory \$1.70, Non-Signatory \$3.80	Unknown
Laughlin/Bullhead Int'l	Bullhead City, AZ	\$1.00	Jan 2012
Phoenix-Mesa Gateway	Phoenix, AZ	\$1.13	Nov 2012. Currently working on updates
Durango/La Plata	Durango, CO	Signatory \$1.25, Non-Signatory \$2.25	Unknown
Montrose Regional	Montrose, CO	\$3.73	2010
Pueblo Municipal	Pueblo, CO	Air Carrier, Air Taxi, Air Charter greater than 25Klbs Signatory \$0.75, Non-Signatory \$1.00 + \$200 fee for terminal use	Oct 2011
Liberal Mid-America Regional	Liberal, KS	Airlines greater than 20K lbs \$0.65/less than 20K \$0.35. Chartered \$1,000 + \$2.75/passenger M-F 7A to 4P, \$1,500 +\$3.00 per passenger after 4P M-F, weekends/holidays	Unknown
Sunport	Albuquerque, NM	Signatory \$2.30, Non-Signatory \$2.65	All based on expenses per year, last updated Jan 2014
Roswell Int'l	Roswell, NM	\$2.50 less than 12,500 lbs, all others \$2.50 + \$0.50 per additional 1,000 lbs over 12,500	Unknown
Waco Regional	Waco, TX	Signatory \$0.40, Non-Signatory \$0.55, minimum \$3.25	Oct 2013
Rick Husband Int'l	Amarillo, TX	Part 121/135 only - \$0.70	July 2013
Laredo Int'l	Laredo, TX	Signatory \$1.20, Non-Signatory \$1.50, Non-Signatory Non-Tenant \$2.00	Jan 2013

As you can see, landing fees, even in this very small sample, range drastically from airport to airport, making it difficult to establish a direct comparison with landing fees at Santa Fe. These differences are due to each airport's individual rate-making methodology, as well as their specific financial and market conditions. Although the FAA requires that an airport's rates and fees must be *fair and reasonable*, FAA does not require any particular methodology to set those rates. For the Committee's edification, the typical rate-making methodologies in use at US airports today are Residual, Compensatory or a Residual/Compensatory Hybrid.

- Residual is the least utilized anymore, and is a legacy from economic regulation of the airlines, which ended in 1978. Under Residual, a "break-even" partnership is created between the airport and the airlines, where the airlines share the risks/rewards with the airport. Airlines have a say in how the airport spends its revenues because airlines assume financial risk of supporting the airport's operation and development.
- In the Compensatory model, all airport users are charged "allocated costs" based only on those areas of the airport they use. The airport assumes all financial risk and seeks to recover full allocated costs or Fair Market Value of the facility through rates and fees. Airlines "compensate" the airport by paying their fair share for the facility by paying landing fees set on a rate base designed to recover actual expenses. Non-airline revenues do not contribute to reducing the airline rate base or landing fee.
- The Hybrid model is used most in this country now and is generally Compensatory, but retains some features of Residual. Direct cost centers are set up for facilities that generate revenue (airfield, terminal, equipment) and indirect cost centers (non-revenue) are allocated to direct cost centers. Airlines agree to pay fees that allow the

airport to recover direct and allocated costs. Non-airline revenues (concessions, rentals cars, etc.) are capitalized to keep the airline costs as low as possible.

It does not appear that Santa Fe's landing fees have been set, by Resolution or contract, based on any of the three common rate-making models, making it difficult to determine if they are fair and reasonable when compared to other airports. However, FAA does not define fair and reasonable airport rates based on other airports. FAA defines fair and reasonable as follows:

- Based on a fair approximation of facilities' use
- Not excessive in relation to benefits conferred
- Does not interfere with interstate commerce
- Non-discriminatory

As noted above, the FAA's definition of fair and reasonable includes the requirement of non-discrimination. As such, staff is requesting that commercial landing fees be updated to the rate of \$3.00/1,000 lbs. of certified maximum landing weight which shall apply to both airlines (currently at a \$3.00/1,000 lbs. rate) and charter operators (currently at a \$.90/1,000 lbs. rate).

Lastly, the airport is intending, with funding from the NM Aviation Department, to conduct a rates and fees study that will help us define a rate-making model to better and more efficiently recover our operating and capital costs. Although this is on the horizon, staff cautions that it would not be prudent to wait for this study to adjust the landing fees now to meet the definition of non-discriminatory.

**ACTION SHEET
ITEM FROM THE
PUBLIC WORKS/CIP AND LAND USE COMMITTEE MEETING
OF
MONDAY, JANUARY 6, 2014**

ITEM 12

SANTA FE MUNICIPAL AIRPORT

- A) REQUEST FOR APPROVAL OF PROPOSED UPDATE TO COMMERCIAL LANDING FEES AT SANTA FE MUNICIPAL AIRPORT FROM \$.90/1,000 LBS. TO \$3.00/1,000 LBS. OF CERTIFICATED MAXIMUM LANDING WEIGHT FOR AIRCRAFT BEING OPERATED UNDER EITHER A PART 121 (AIRLINE) OR PART 135 (CHARTER) OPERATING CERTIFICATE AND IN EXCESS OF 12,500 POUNDS MAXIMUM GROSS WEIGHT
- B) REQUEST FOR APPROVAL OF PROPOSED UPDATE TO FIRE PROTECTION FEES TO REFLECT CURRENT LANGUAGE IN AIRPORT LEASES **(FRANCEY JESSON)**

PUBLIC WORKS COMMITTEE ACTION: Approved

SPECIAL CONDITIONS OR AMENDMENTS:

STAFF FOLLOW UP:

VOTE	FOR	AGAINST	ABSTAIN
CHAIRPERSON WURZBURGER			
COUNCILOR CALVERT	X		
COUNCILOR IVES	X		
COUNCILOR RIVERA	X		
COUNCILOR TRUJILLO	Excused		

City of Santa Fe, New Mexico

memo

Date: January 6, 2014

To: Public Works Committee

From: Francey Jesson, Airport Manager 

Via: Jon Bulthuis, Transportation Director
Brian Snyder, City Manager

Item & Issue:

- Request for approval of proposed update to commercial landing fees at Santa Fe Municipal Airport from \$.90/1,000 lbs. to \$3.00/1,000 lbs. of certificated maximum landing weight for aircraft being operated under either a Part 121 (airline) or Part 135 (charter) operating certificate and in excess of 12,500 pounds maximum gross weight.
- Request for approval of proposed update to Fire Protection Fees to reflect current language in airport leases.

Background & Summary:

City of Santa Fe Resolution No. 2001-78 was passed, approved and adopted on November 28th, 2001, establishing a rates and fees structure at Santa Fe Municipal Airport. (See attached) The Resolution authorizes adjustment of said rates and fees from time to time by the Airport Manager with approval of the City Manager.

The attached Resolution sets the approved landing fee for airlines (Federal Aviation Regulation Part 121) and charter operators (FAR Part 135) at \$.90/1,000 lbs. In 2009, and then again in 2012, however, the City entered into a lease agreement (See attached) with American Eagle, a Part 121 operator, and clearly set the contractual landing fee at \$3/1,000 lbs. A subsequent lease agreement (See attached) in 2012 with Great Lakes Aviation, a Part 121 operator, sets the same landing fee of \$3/1,000.

Beyond these two lease agreements, which were duly and properly executed by the City of Santa Fe, I can find no record that the adjusted landing fee was ever formally modified, updated

or increased for any Part 121 or Part 135 operator using the airport with or without a lease agreement.

On September 26th, 2013, about a dozen charter aircraft landed at the airport. Based on the above, the airport could only charge these operators the lesser landing fee approved as per the Resolution. At that time, a memo was submitted to the City Manager detailing this discrepancy and requesting authorization to change the landing fee. (See attached) The City Manager, however, determined that this issue was important enough that it should go through Committee and City Council for approval.

This discrepancy in the landing fee could be interpreted by the Federal Aviation Administration as being in non-compliance with Federal Grant Assurance No. 22 – Economic Nondiscrimination. (See attached) Violation of any Grant Assurance could lead to suspension of the airport's eligibility to receive both state and federal capital improvement grants. It is not a violation of the Economic Nondiscrimination clause to charge signatory operators (those with a lease) and non-signatory operators (those without a lease) different landing fees. However, generally signatory operator landing fees are less than non-signatory because lessees usually also lease space on the airport.

Additionally, the airport is requesting that Council approval an update of the Fire Protection Fees to reflect current language in airport leases.

Action Requested:

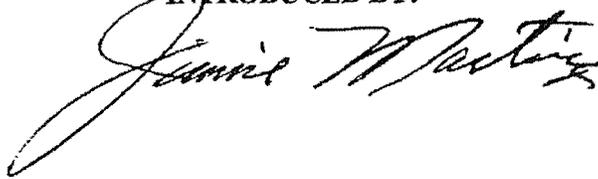
- Request for approval of proposed update to commercial landing fees at Santa Fe Municipal Airport from \$.90/1,000 lbs. to \$3.00/1,000 lbs. of certificated maximum landing weight for aircraft being operated under either a Part 121 (airline) or Part 135 (charter) operating certificate and in excess of 12,500 pounds maximum gross weight.
- Request for approval of proposed update to Fire Protection Fees to reflect current language in airport leases.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CITY OF SANTA FE, NEW MEXICO

RESOLUTION NO. 2001- 78

INTRODUCED BY:



A RESOLUTION

AMENDING AIRPORT USER FEES.

WHEREAS, the City of Santa Fe is striving to maintain a fee structure for current and future services and facilities being provided to users of the Santa Fe Municipal Airport including security and fire protection, and

WHEREAS, the City of Santa Fe applies for and receives financial grant assistance from the Federal Aviation Administration (FAA) and the New Mexico State Highway and Transportation Department Aviation Division, and

WHEREAS, the City of Santa Fe desires to make the Airport as self-sustaining as possible in compliance with FAA Grant Assurances,

BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF SANTA FE, NEW MEXICO AS FOLLOWS:

Section 1. Resolution No. 1977-6, "Establishing a daily use charge and parking charge for Santa Fe Municipal Airport," is hereby repealed.

Section 2. The Airport User Fees set forth in Schedule A, attached hereto, are hereby

1 adopted.

2 **Section 3.** The Airport User Fees set forth in Schedule A shall be administered by the
3 Airport Manager.

4 **Section 4.** The Airport User Fees set forth in Schedule "A" may be adjusted or expanded
5 from time to time by the Airport Manager with the approval of the City Manager.

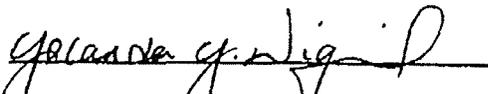
6 **Section 5.** Nothing in this resolution shall be construed to override, nullify or otherwise
7 alter the terms and provisions of existing leases at Santa Fe Municipal Airport.

8 **Section 6.** The Airport User Fees set forth in Schedule A shall become effective
9 immediately upon adoption of this Resolution.

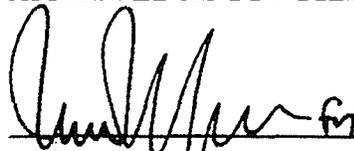
10 **PASSED, APPROVED and ADOPTED** this 28th day of November, 2001.

11
12 
13 _____
LARRY A. DELGADO, MAYOR

14 **ATTEST:**

15
16 
17 _____
YOLANDA Y. VIGIL, CITY CLERK

18
19 **APPROVED AS TO FORM:**

20 
21 _____
22 PETER A. DWYER, CITY ATTORNEY

23
24
25 Resolution/Issue/Amended Airport User Fees/10/29/01

Schedule "A"

Airport Users Fees

1. Automobile parking is free for the first 4 hours, then \$3.00 per day. This fee will be altered once a formal parking plan is approved by the Governing Body of the City Of Santa Fe.
2. A Fire and Rescue Protection fee schedule will be established by the Airport Manager in coordination with the Fire Chief, and approved by the City Manager if the Airport obtains Federal Aviation Regulations (FAR) Part 139 certification. This fee schedule will be applied to any flight requiring on-site fire and rescue protection services under FAR Part 139 and may also be charged to all other airport users. If Fire and Rescue Protection is provided by the City of Santa Fe, but not under FAR Part 139, a similar fee will be developed and applied.
3. A Security Protection Surcharge may be added to any fee established in this exhibit at the discretion of the City Manager if security requirements imposed by the FAA result in unexpected costs to the City of Santa Fe.
4. Aircraft Parking Fees are established in the table below.

SMALL G/A PARKING	CURRENT FEE	PROPOSED FEE
SINGLE ENGINE DAILY	\$4.50	\$6.00 per day, up to 7 days
TWIN ENGINE DAILY	\$8.50	\$10.00 per day, up to 7 days
SINGLE ENGINE MONTHLY	\$30.00	\$40.00
TWIN ENGINE MONTHLY	\$50.00	\$65.00
LARGE G/A PARKING	CURRENT FEE	PROPOSED FEE
DAILY	NONE	\$15.00 per day, up to 7 days
MONTHLY	NONE	\$105.00

- "Small G/A Tie Down" refers to general aviation single or twin engine propeller driven aircraft with a total seating capacity (including crew) of 6 or less that park and/or tie down overnight or longer.
- "Large G/A Parking" refers to general aviation jet, or propeller driven aircraft with a seating capacity of more than 6 (including crew) that park and/or tie down overnight or longer. Commercial airliners that pay other access related fees to this airport are exempt.
- Aircraft utilized for cargo or specialized operations that reduce or eliminate normal seating will be charged as if in a manufacturers baseline passenger configuration for the model in question.

- Any G/A aircraft having a wingspan greater than 60 feet will be charged the "Large G/A Parking" fee, regardless of configuration. Exception: Gliders will pay the same amount as the "Small G/A Twin Engine" category.
- Helicopters will be charged using the same criteria as G/A aircraft: By number of engines, and passenger capacity. Helicopters having a rotor span of more than 60 feet will be charged the "Large G/A Parking" fee, regardless of configuration.
- If there is any question, the Airport Manager will make the final determination as to what fee applies.

5. Airport landing fees are \$.90 per 1,000lbs of landing weight for scheduled air service or commercial aircraft operators who operate aircraft in excess of 18,000 pounds maximum gross weight.

6. These fees may be adjusted from time to time with the approval of the City Manager.

No. 618

City of Santa Fe Fiscal Impact Report

This Fiscal Impact Report (F.I.R.) shall be completed for each proposed ordinance or resolution draft and is intended for use by any of the standing committees of and/or the Governing Body of the City of Santa Fe.

Section I: General Information

Date

Draft _____

Original 11/02/01

Bill Identification: Resolution # 2001 —
Ordinance # _____

Sponsor(s): _____
Sponsor(s): _____

Short Title: AMENDING AIRPORT USER'S FEES

Reviewing Department(s): PW

Person Completing Analysis: Jim MONTMAN Date: 11/08/01 Phone: 955-2900

Section II: Fiscal Impact

Expenditure Classification	Estimated		Appropriation Expenditure		Fund Affected
	Projected FY '01/02	Impact FY '02/03	Recurring	Non Recurring	
Personnel	_____	_____	_____	_____	_____
Fringe at 30%	_____	_____	_____	_____	_____
Capital Outlay	_____	_____	_____	_____	_____
Land/Bldg.	_____	_____	_____	_____	_____
All Other Operating Costs	_____	_____	_____	_____	_____
Total:	_____	_____	_____	_____	_____

N/A

KXR

(Parenthesis () Indicate Expenditure Decreases)
Note: Include start-up costs under the non-recurring category.

Revenue Source

Type of Revenue	Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
	FY '01/02	FY '02/03			
AIRCRAFT PARKING	42,411.77	45,000		Recurring	Airport
LANDING FEES	17,894.68	18,000		"	"
AUTO PARKING	35,152.00	36,000		"	"
Total:	95,458.45	99,000		"	"

(Parenthesis () Indicate Revenue Decreases)

Appropriation/Expenditure Narrative: N/A

Revenue Narrative: ESTIMATED REVENUES REPRESENT A 10% INCREASE IN TOTAL AIRPORT REVENUES, AND A 222% INCREASE IN REVENUES DERIVED FROM AFFECTED FEES. THE AIRPORT ADVISORY BOARD VOTED UNANIMOUSLY IN FAVOR OF THIS INITIATIVE.

Section III: Relationship to other Legislation; Source of Information

Does this proposed ordinance/resolution duplicate, conflict with/ companion to/ relate to any currently approved ordinance or resolution? YES, RESOLUTION 1977-6. THE PROPOSED

RESOLUTION WOULD REPEAL RESOLUTION 1977-6, ELIMINATING THE CONFLICT

Sources of Information: AIRPORT REVENUES, FY 2000-2001; AIRPORT MASTER PLAN DRAFT, BOTH FIXED BASE OPERATORS

Section IV: Narrative

1. Ordinance/Resolution Summary (Two Parts)

- a) Synopsis: Briefly explain the major provisions of the Ordinance/Resolution. What is its purpose? How much will it cost? INCREASES THE DOWN FEES, EXPANDS AIRCRAFT PARKING FEE COVERAGE, IMPROVES LANDING FEES, INCREASES AIRCRAFT PARKING FEES
- b) Significant Issues: List and briefly describe the major issues related to the ordinance/resolution which are discussed in more detail in the remaining narrative sections. FEE INCREASES

2. Fiscal Impact

Explain or justify any appropriation expenditure as a result of the proposed ordinance/resolution which will become a recurring cost to the city. Please be sure to indicate whether or not a proposed ordinance/resolution increases or decreases costs to the city and whether or not the city can absorb such increase/decrease. REVENUES GENERATED WILL HELP OFFSET COST OF INCREASED SECURITY.

If passage of the proposed ordinance/resolution will result in additional costs, or in new revenues, estimate the annual amount. ADDITIONAL REVENUES OF \$53,662.42.

Explain any effect on federal appropriations or other local, state, and federal matching funds. NONE

3. Administrative Impact

Explain the short or long-term administrative effect on the city of the passage or failure of the proposed ordinance/resolution. Indicate any changes in number of FTE (personnel) required. NONE

4. Duplicate, Conflict, Companionship, or Relationship

Explain conflicts or overlaps with existing law and pending legislation, including citations of laws or ordinance numbers. ELIMINATES CONFLICT OF CURRENT POLICY WITH NEW MEXICO STATE LAW. SEE MEMO NARRATIVE.

5. Technical Issues

Are there incorrect citations of law, drafting errors or other problems? **NONE**

6. Substantive Issues

Are there any substantive issues such as legal problems or conflicts with existing policy or programs?

NONE

7. Alternatives

Are there any other alternatives which should be considered? **No. ADDITIONAL MEASURES ARE BEING STAFFED WHICH MAY ALSO INCREASE Airport Revenues.**

8. What will be the consequences of not enacting this bill?

Airport Revenues will be insufficient to cover security costs.

9. Amendments

Are there any amendments that you would propose? **No**

ITEM # 12-0467

SANTA FE MUNICIPAL AIRPORT
AIRLINE TERMINAL LEASE AGREEMENT

THIS LEASE AGREEMENT, is made and entered into on this 27th day of June, 2012, by and between the CITY OF SANTA FE, a municipal corporation, hereinafter "Lessor", and AMERICAN AIRLINES, INC. hereinafter "Lessee" or "American".

WHEREAS, the Lessor owns and operates an airport known as the Santa Fe Municipal Airport ("Airport") and is desirous of leasing to the Lessee certain premises and facilities at the said Airport; and

WHEREAS, both the Lessor and Lessee have the right and power to enter into this Lease Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. PREMISES.

A. Lessor does hereby lease to Lessee a certain area of the Airline Terminal Building, containing 436 square feet more or less, more particularly described on Exhibit "A", attached hereto (hereinafter "Premises").

(1) Premises includes approximately 50 square feet more or less of ticket counter and related space containing one cubicle and two operating positions. Lessor may reassign ticket counter space at its sole discretion. Reassignment of ticket counter space if required shall be made in writing by the Airport Manager, in consultation with American. Should reassignment of ticket counter space become necessary Lessee shall be assigned comparable ticket counter space located in such a manner as to not disrupt Lessee's operations as determined by the Airport Manager. All reasonable costs of relocation as determined by Lessor due to reassignment of ticket counter space by Lessor shall be borne by Lessor. Lessee requested relocation if approved will be at Lessee's expense.

(2) Premises includes approximately 20 square feet more or less of floor space for installation and operation of an automated check-in kiosk. Lessor may reassign automated check-in kiosk space at its sole discretion. Reassignment of automated check-in kiosk space if required shall be made in writing by the Airport Manager in consultation with American. Should reassignment of automated check-in kiosk space become necessary Lessee shall be assigned comparable automated check-in kiosk space located in such a manner as to not disrupt Lessee's operations as determined by the Airport Manager. All reasonable costs of relocation as determined by Lessor due to reassignment of automated check-in kiosk space by Lessor shall be borne by Lessor. Lessee requested relocation if approved will be at Lessee's expense.

B. Lessee hereby accepts the Premises in its present state and agrees that it is in good condition, without any representation or warranty by Lessor as to the condition of the

Premises or as to the use which may be made thereof.

2. USE OF THE PREMISES.

The Premises shall be used by Lessee for the purpose of providing scheduled passenger service and non-scheduled charter service. In addition Lessee shall have access to the following at no additional charge except where stated:

A. Air Carrier Operating Area (ACOA). Lessee may use non-exclusively, the ACOA designated by the Lessor, which is illustrated by Exhibit "B" attached hereto and further defined in the Transportation Security Administration approved Airport Security Plan. Lessor may re-designate, alter, or move the ACOA to suit airport operations at its sole discretion except that such re-designation, alteration, or move shall take into consideration the needs of commercial air carriers including American and shall not limit the ability of American to maintain its operation.. Lessee shall be responsible for escorting passengers to and from the ACOA. All ACOA access doors and gates shall be closed and locked when not in use.

B. Secure Area and Gate. Lessee may use non-exclusively, the terminal building secure area and gate area. Lessee is encouraged to deconflict its flight schedule with the Airport Manager and/or other airlines prior to publication to ensure efficient use of this limited space area. American shall work with other scheduled air carriers to insure efficient use of available space in this area. Should the individual airlines not be able to resolve schedule conflicts in a manner satisfactory to each of them, the Airport Manager shall act as arbitrator in resolving the dispute and his decision shall be final.

C. Aircraft Parking. Lessee's aircraft are to be parked in those areas of the ACOA as designated by the Airport Manager for passenger loading and unloading. Aircraft parking for other than passenger loading and unloading shall be in the ACOA or other areas of the airport as designated by the Airport Manager. Lessee may at its sole discretion use hangar space provided by other businesses if desired.

D. Ground Support Equipment

(1) Lessor agrees to provide limited Lessor-owned non-exclusive use Ground Support Equipment (GSE) during the Term of this Lease agreement to support Lessee's operation as mutually agreed. Lessor shall charge Lessee a mutually agreed fee for use of each unit of GSE provided. Specific GSE provided and related use fees will be in accordance with Paragraph 5H of this Lease Agreement.

(2) Lessee shall pay for all necessary fuel for GSE operation. Should another air carrier be allowed to use the equipment such fuel purchases shall be pro-rated based on number of flights the equipment is used for by each carrier. All necessary maintenance shall be provided by the Lessor who shall retain liability for the use of such equipment except that American agrees to hold harmless the Lessor from damages arising from the gross negligence of American. Equipment maintenance required due to gross negligence of American as determined by the Airport

Manager shall be the responsibility of American.

(3) If another commercial scheduled air carrier occasionally requires simultaneous use of Lessor-provided ground support equipment, the Airport Manager shall determine the priority of use. Lessee is encouraged to deconflict its flight schedule with the Airport Manager and/or other airlines prior to publication to ensure efficient use of ground support equipment. American shall work with other scheduled air carriers to insure efficient use of available ground support equipment. Should the individual airlines not be able to resolve schedule conflicts in a manner satisfactory to each of them, the Airport Manager shall act as arbitrator in resolving the dispute and his decision shall be final. Lessee is otherwise responsible for providing and maintaining all ground support equipment necessary for its operations.

(4) Lessee may provide its own exclusive-use ground support equipment at any time, at no cost to Lessor if desired.

E. Office, Ticket Counter and Other Equipment. Lessee is responsible for providing all office furniture, equipment and supplies necessary for conducting its business unless provided by Lessor at its sole discretion. Any such equipment provided by Lessor remains the property of Lessor and will be returned to Lessor at termination of this Lease Agreement unless otherwise agreed to in a separate purchase agreement between Lessor and Lessee.

F. Baggage Scales. Lessee may use non-exclusively the Lessor-provided baggage scale situated within or adjacent to assigned ticket counter space. Lessee shall provide for required calibration and maintenance of said baggage scale. If more than one airline uses the baggage scale adjacent to ticket counter space assigned to Lessee, Lessee agrees to pay for a prorated share of the calibration and maintenance costs based solely on number of airlines using the scale.

G. Signage. Signs such as company logo, schedule boards and other similar signs may be installed with the written approval of the Airport Manager. Velcro fastening system shall be used for wall signs unless specifically waived in writing by the Airport Manager. Signs shall be no larger than five feet in width unless otherwise approved in writing by the Airport Manager.

3. TERM AND TERMINATION.

A. Term. This Lease Agreement shall be for a three-year term beginning on June 11, 2012 and terminating on June 10, 2015. Such period, as the same may be sooner terminated or extended both as specifically provided in this Lease Agreement is referred to in this Lease Agreement as the "Term." Upon expiration of the Term or upon cancellation of this Lease Agreement, Lessee shall peacefully surrender and vacate the Premises.

B. Termination. Either party may terminate this Lease Agreement at any time, without regard to payment periods, by giving thirty (30) days written notice to the other party.

Upon termination of this Lease Agreement by either party, the Lessee's rights to use the premises shall cease and the Lessee shall peacefully vacate the premises, removing its property at its own expense. 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 Agreement.

4. HOLDOVER.

In the absence of a new Lease Agreement entered into before the expiration of the initial Term under this Lease Agreement, Lessee shall be allowed to hold over for a period not to exceed 90 days from the expiration date of the initial Term under this Lease Agreement at the sole discretion of the Airport Manager. Lessee may request permission to hold over 90 days prior to expiration of the Term and Airport Manager shall advise Lessee in writing whether Lessee shall be permitted to hold over within 10 calendar days of receipt of such request from Lessee. If the Airport Manager chooses not to permit a holdover, Lessee shall vacate the premises upon expiration of the initial Term. If the Lessee fails to timely vacate the premises, Lessee agrees to pay liquidated damages in the amount of \$500 per day of hold over. Holding over by the Lessee after the expiration of the initial Term under this Lease Agreement shall not operate to extend or renew this Lease Agreement. Any such holding over shall be construed as a tenancy from month to month at the rents reserved in this Lease Agreement under the terms herein. Failure to negotiate a new Lease Agreement within 90 days of the expiration of the initial term under this Lease Agreement shall be construed as a decision by the Lessee not to renew. Notwithstanding, so long as the parties are negotiating a renewal agreement in good faith Lessee may request that the Airport Manager grant Lessee the right to hold over for additional hold over periods, which permission shall be at the sole discretion of the Airport Manager.

5. RENT AND FEES.

The Lessee shall pay to the Lessor, at the office of the Airport Manager at the Santa Fe Municipal 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. Rent. Lessee shall pay to Lessor, at the office of the Airport Manager, one thousand thirteen dollars and thirty-four cents (\$1013.34) per month as rent for the Premises, on or before the first day of each calendar month. Rental payments received after the fifth day of the month shall be subject to and include an additional late charge of \$10.00. Any extension of time for the payment of any installment of rent shall not be a waiver of Lessor's right to insist on having all other payments of rent made in the manner and at the time herein specified.

B. Gate Fee. Lessee shall pay fifty cents (\$0.50) for each passenger enplaned for the cost of maintenance for the gate area. Lessee shall pay sixty cents (\$0.60) for each passenger who passes through the security screening equipment at the boarding gate while it is operated by the Lessor's personnel.

C. Landing Fee. Lessee shall pay three dollars (\$3.00) per one thousand (1,000) pounds gross landing weight for use of the Airport.

D. Fire Protection Fee. Lessor shall pay one dollar (\$1.00) per one thousand (1,000) pounds gross landing weight for Federal Aviation Administration required fire protection services provided for Lessee's aircraft. This fee is subject to annual renegotiation if required by Lessor.

E. Ramp Fee. Lessee shall pay fifteen dollars (\$15.00) per day or one-hundred and five dollars (\$105.00) per month, whichever ever is less for each aircraft remaining overnight and parked on Lessor's aircraft parking ramp space.

F. Passenger Facility Charge. Lessee shall collect and pay a Passenger Facility Charge once Lessor receives authorization for implementing a Passenger Facility Charge from the Federal Aviation Administration.

G. Security Fee. This fee is based on the minimum security posture required to support airline operations as defined by the Transportation Security Administration and the actual cost of contract security services provided. The Airport shall pay 33% of the cost of contract security services provided at the screening checkpoint, plus any additional costs attributable to unforeseen delays such as weather, mechanical failure and other similar causes. The Airline shall pay 67% of the cost of contract security services provided at the screening checkpoint if the Airline is the only Airline using the screening checkpoint. Lessee shall therefore pay a Security Fee of eighteen dollars and ninety one cents (\$18.91) per actual flight departing with screened passengers onboard to cover security requirement costs directly attributable to Airline operations and not otherwise funded by the Federal Government. In the event that another airline requiring use of the screening checkpoint begins operations at the Airport, this Security Fee will be fairly distributed by the Airport Manager among all airlines utilizing the airport and requiring screening check point security. In this case, notification of fee adjustment will be by a letter from the Airport Manager and will not require further amendment to this Lease. The Airport Manager may also adjust the amount of this fee based on future contract amendment with the security service provider, but in no case will the fee be raised in increments of more than 10%. Notification of fee adjustment due to contract amendment with the security service provider will be by a letter from the Airport Manager and will not require further amendment to this Lease.

H. Ground Support Equipment (GSE) use fees and conditions. Lessor will provide the GSE in accordance with Paragraph 2 of this Lease. Fees and conditions for use of this equipment are as follows:

(1) TLD ACE 500-1119 Airstart Unit or similar: \$75 per use as accounted for by Lessee. Lessee operates unit.

(2) Premier HC29050 Deicer or similar: \$1,400 per month, applying only to the months of November through March. There will also be a one time annual fee of \$700 to account for any use that may occur in months other than November through March. This annual fee is due and payable in April of each year. Lessee operates, and provides all fuel and deicing fluid. Because Lessee operates and provides all fuel and deicing fluid, should another air carrier operator

elect to serve SAF and make use of the Premier HC29050 noted in this agreement, that air carrier shall contract with American Airlines to provide such deicing services. This clause shall not prevent the other air carrier from contracting for the use of a different deicing unit or providing their own equipment and operators.

(3) Keith Consolidated DXR Valet Cart or similar: \$50 per month.

(4) Phoenix Metals PNXLC-60/40 Lavatory Service cart or similar: \$200 per month. Lessee provides all required fluids and is responsible for all operations and dumping of contents when required. Lessee is responsible to ensure lavatory cart use and storage in such a manner as to preclude equipment failure due to freezing temperatures.

(5) Wasp, Inc. A203056D baggage carts or similar (quantity of four): \$125 per month each, or \$400 per month for use of all four.

(6) KCI Turboway 3025 Pax Ramp or similar: \$15 per use for aircraft departure as accounted for by Lessee.

(7) Columbia Medical 9010 Tracer 4 wheel chair (2 available): No charge.

(8) Columbia Medical 8010 Aisle Master Xfer Chair (1 available): No charge.

(9) Nothing contained within this amendment shall preclude American Airlines from providing alternate equipment of their choice and at their cost and operating it. Should American Airlines elect to provide specific pieces of equipment covered by the rates and charges above, such rates and charges for the specific piece of equipment shall cease at the beginning of the month following the month American equipment is placed into service.

I. Adjustment of Fees. Lessor reserves the right to adjust the fees and charges specified herein in the event the Airport Manager determines that extraordinary circumstances necessitates taking such action. Lessee shall not be required to pay rent during any time the airport is unusable for operation by Lessee for a period in excess of 15 days.

J. Schedule of Payments. The fees specified in B through H above are due and payable to the Airport Manager by the twenty-fifth (25th) day of each month following the month of activity. Lessee agrees to provide timely enplanement, gross landing weight and other similar data to the Airport Manager as requested for the purpose of computing monthly bills and reporting to the Airport Advisory Board.

K. Late Payment Charge. Lessee shall pay a late payment fee of 1.5% per month on the entire balance due for each month or partial month thereafter for any fee payment due.

6. RECORDS AND AUDIT.

A. All records, accounts, books, delivery receipts and data on business activities performed under this Lease Agreement and maintained by the Lessee shall be subject to inspection and audit by the Lessor at Lessor's expense at all reasonable times. However, if, beginning on or after June 1, 2010, 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 of any 12 months period, and if Lessor thereafter requires an additional audit and such audit reveals a discrepancy of more than 5% of the gross receipts reported since the time of the last audit, then the full cost of such additional audit shall be borne by the Lessee. Records shall be maintained for a period of not less than three (3) complete lease years.

B. 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 as absolutely confidential and not subject to use or disclosure by the Lessor for any purpose other than the ascertainment of rents, fees and charges under this 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.

7. INSURANCE.

A. The Lessee shall, at its own cost and expense, procure and maintain in full force and effect during the term of this Lease Agreement, the following insurance:

(1) Worker's Compensation and Employer's Liability. The Lessee shall comply with and provide insurance commensurate with the 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 Section 52-1-10, NMSA 1978, for safety devices. The Lessee shall require any subcontractor to provide such coverage, or qualify as a self-insured, for all the latter's employees. The Lessor, its officers or employees shall not be responsible for any claims or actions caused 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) Comprehensive General Liability. The Lessee shall procure and maintain a comprehensive general liability insurance policy, for bodily injury, including death, and property damage in such amounts that are not less than the maximum liability of public agencies as set forth in the New Mexico Tort Claims Act, N.M. Stat. Ann. 41-4-1, et seq. (1978) now constituted or hereafter amended. Said policies of insurance must include coverage for Premises, operations and the Lessee's liability to the Lessor hereunder. The Lessor shall be named as an additional insured on the general liability and property coverage insurance policies. The parties acknowledge that the certificate of insurance for General Liability coverage will be in the amount of Ten Million Dollars (US \$10,000,000).

B. Binders. A binder or certificate of insurance for all insurance policies

required by this Lease Agreement shall be provided to Lessor at the time of the execution of this Lease Agreement. Certificates of insurance shall be delivered to the Airport Manager. Lessee shall not cancel or alter in any detrimental way any insurance policy required under this Lease Agreement without the prior written consent of Lessor.

C. Policy Cancellations. Policies shall provide that 30 days written notice shall be given to the Airport Manager before a policy is canceled, materially changed or not renewed, except, however, Lessor acknowledges that notification of cancellation of Lessee's Workers' Compensation/Employer Liability coverage may only be given 7 days in advance. A certificate or policy which states that failure to give such notice imposes no obligation on the insurance company is unacceptable to this Lease agreement. Cancellation or other termination of any insurance policy issued in compliance with this section shall automatically terminate this Lease Agreement, unless another policy has been filed and approved pursuant to this section and shall be in effect within 45 days of the date of written notice to Lessee of such default.

D. Increase in Coverage. Lessor may require an increase in coverage in the event the maximum amount in the New Mexico Torts Claim Act are raised by the New Mexico State Legislature or by judicial mandate.

8. INDEMNIFICATION.

Lessee agrees to defend, indemnify and hold harmless Lessor from loss from each and every claim and demand of whatever nature, made on behalf of or by any person or persons, for any wrongful, careless or negligent act or omission of Lessee or Lessee's employees, members and guest, and from all losses and damages by reason of such acts or omissions.

9. CANCELLATION BY LESSOR.

Lessor may cancel this Lease Agreement by giving Lessee written notice and opportunity to cure, within 30 days of the occurrence of the default, upon or after the happening of any of the following events:

A. Cancellation for Non-Payment. If the Lessee shall default in the payment obligations of above, 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 notice provisions, infra, 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 Leased Premises, whether with or without process of law. In the event of cancellation or non-payment, Lessor may, at its option, attach a landlord's lien to any improvements on the Premises, and said improvements may not be removed from the Premises without Lessor's prior approval.

B. Cancellation 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 or payment

obligations discussed above and the default shall continue for 30 days after written notice thereof to the Lessee, given by the Lessor in accordance with the notice thereof to the Lessee, given by the Lessor in accordance with the notice provisions, *infra*, 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 Leased Premises, whether with or without process of law. However, if any default or breach may not reasonably and capably be cured within 30 days after written notice thereof, and if Lessee diligently attempts to cure the default or breach, Lessee may petition Lessor for additional time to cure the default, which petition will not be unreasonably denied. 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 of 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 an act of 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 rental 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 cancel this Lease and Agreement for failure by the Lessee to so perform, keep or observe any of the terms, covenants, agreements or conditions of this Lease Agreement.

C. Other Cancellation. The Lessor may cancel this Lease Agreement only by giving the Lessee 30 days advance written notice and opportunity to cure, whether with or without process of Law, upon or after the happening of any one of the following events:

(1) If Lessee ceases or fails to provide said service, Lessor may declare this Lease to be terminated and 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 property, using such force as may be reasonably necessary in doing so. 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 Agreement.

(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 occurrence of damage or destruction to the airport terminal by fire, or any other casualty and the failure of the Lessor to repair the damage.

(6) The cancellation or other termination of any insurance policy issued in compliance with this Lease Agreement shall automatically terminate this Lease agreement, unless another policy has been filed and approved pursuant to this section and shall be in effect within 45 days of the date of written notice to Lessee of such default.

(7) The breach of any of the nondiscrimination covenants, Lessor shall have the right to terminate this Lease Agreement and to reenter and repossess said leased premises thereon, and hold the same as if said Lease Agreement had never been made or issued.

10. CANCELLATION BY THE LESSEE.

The Lessee may cancel this Lease 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 Agreement by giving the Lessor 30 days advance written notice of its intentions to discontinue its business activities at the Airport.

11. RIGHTS OF LESSOR.

Lessor reserves the right to:

A. Operate the airport in the best interest of the public and 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 in the airport terminal regardless of any objection of the Lessee. The Lessor may relocate the Lessee if the physical development of the airport or the terminal requires relocation of the Lessee provided Lessor provides written notice to Lessee and Lessor bears such the costs associated with such relocation.

B. Enter upon the Premises at any reasonable time for the purpose of making any inspection for the proper enforcement of any of the covenants or conditions of this Lease Agreement and any federal, state, county or city laws, rules and regulations, now or hereafter in effect.

12. RIGHTS OF LESSEE.

The Lessee shall have the right to use the Airport Terminal Building for the following specific purposes:

A. Operation of a scheduled airline service, under the name of American Airlines, however, that the privilege herein granted shall not be construed in any way as an exclusive right.

B. Installation and operation of identifying signs, logos, and advertising on the leased premises may be done only with the express written consent of Lessor or its authorized agent, such consent not to be unreasonably withheld. Such signs, logos, and advertising, if installed on

carpeted walls must use a Velcro fastening system consistent with the carpet's design and capacity.

C. Access, ingress and egress with respect to the premises marked Exhibit "A" for Lessee, its employees, customers, vehicles and equipment used in the operation of a commercial airline business.

D. Use of a minimum of one terminal ticket counter cubicle having two work stations as allocated by the Airport Manager, whose determination is final. Lessee is responsible for installation, operation, and maintenance of its own work station equipment and supplies, and for maintenance of allocated work stations. At the Airport Manager's discretion, additional work stations may be allocated if available.

E. Non-exclusive use of ticket counter scales provided by Lessor and adjacent to Lessee's counter at no charge, provided that Lessee is responsible for all scale maintenance and calibration costs. If there is more than one user of the scale normally used by Lessee, then calibration and maintenance costs will be shared equally.

13. SECURITY.

The airport is required to comply with 49 CFR Part 1542 Security Requirements. Lessee shall be required to implement, maintain and comply with the following procedures as a minimum and any other procedures required to satisfy Part 1542 Security Requirements. The Lessee shall be responsible for the control of persons, equipment and vehicles entering the ACOA or designated ramp space via terminal building doors and ramp gates that Lessee uses whenever the ACOA is active. The ACOA is active whenever screened baggage, screened personnel or secure aircraft are present within the ACOA. The Lessee agrees to implement and maintain, as a minimum, the following security measures concerning access control to and from the ACOA or designated ramp space:

A. During all hours, access points to the ACOA whether active or not and access points to designated ramp space used by Lessee for its operations shall be secured and locked.

B. Lessee's personnel shall immediately notify Lessor of trespass by any persons on the ACOA or designated ramp space and immediately require such trespasser to leave the ACOA or designated ramp space.

C. Lessee shall escort its customers, passengers and charges at all times while on the ACOA or designated ramp space.

D. The Lessee is responsible for training its personnel with respect to the security procedures described in this Lease Agreement and with respect to all other security procedures developed by the Lessor.

E. The Lessee shall participate in the Airport's security program and comply

with applicable security procedures found in the Transportation Security Administration approved Airport Security Program (ASP).

F. The Lessee shall immediately notify the airport manager of any suspicious activities observed in or about the ACOA or designated ramp space.

G. Any unresolved questions concerning airport security shall be directed to the Airport Manager's Office.

H. The Lessee agrees to reimburse the Lessor for any penalties or fines levied against the Lessor by the Transportation Security Administration due to the Lessee's failure to abide by any security measures described herein.

I. Any of Lessee's personnel who use motorized baggage carts and tugs or other motorized vehicles in or about the ACOA or designated ramp space must possess a valid driver's license, comply with New Mexico state driving regulations, and attend a regularly scheduled ramp driving class conducted by Lessor prior to operating same on the ACOA or designated ramp space.

J. The Lessor reserves the right to revise the security procedures set forth herein. Failure by the Lessee to fully comply with the procedures set forth herein, or as revised, shall be sufficient grounds for the Lessor to immediately take necessary corrective measures until security acceptable to the Lessor is restored.

14. MAINTENANCE/CUSTODIAL SERVICES.

Lessor shall provide floor vacuuming and shampooing, painting, window washing and trash removal services for the Premises to the Lessee at the level provided to all other tenants in the Airport terminal. Lessee, at its sole cost and expense, shall maintain its personal property and improvements.

15. TRANSFER OF INTEREST.

Lessee may not at any time during the term of this Lease, sell, lease, assign, transfer or permit to be acquired, this Lease Agreement or any interest herein, nor shall Lessee sublease any portion of its leasehold interest without the written consent of the Lessor's Governing Body, which consent shall not be unreasonably withheld. This provision is not intended to prevent, or subject to approval by the Lessor's Governing Body, any corporate transaction (including any merger or other divestiture) Lessee may undertake, provided that the surviving entity following such transaction maintains a contractual arrangement to provide air services to American Airlines, Inc. for a duration at least equal to the remaining balance of the Term of this Agreement.

16. OBSERVATION OF LAWS, RULES AND REGULATIONS.

Lessee agrees 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.

Lessee is responsible for its own telephone service. All other utilities, with respect to the Premises, shall be provided by the Lessor so long as the amounts of any utility are not excessive as determined by Lessor. Supplemental electric heating is not permitted unless approved in writing by the Airport Manager.

18. ALTERATIONS AND IMPROVEMENTS.

A. Lessee shall not make or suffer or permit to be made any alteration, addition or improvements whatsoever in or about the Premises or the Airport without first obtaining the written consent of Lessor. 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 building.

B. Lessee shall allow no liens of mechanics, materialmen, laborer, architects, artisans, contractors, subcontractors, or any other lien of any kind whatsoever to be created against or imposed upon the said Premises, the Airport or any part thereof. Lessee shall, if required by Lessor, provide a labor and materialman's bond to cover all work and material and labor arising out of such alterations, additions or improvements.

C. Any and all alterations, additions or improvements, except shelving 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 immediately merge and become a permanent part of the Lessor's realty and any and all interests of Lessee therein shall immediately vest in Lessor 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 Agreement. The shelving 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 Agreement.

19. DESTRUCTION OF PREMISES.

If at any time during the Term of this Lease Agreement, 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 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 the event, however, Lessor within 30 days following receipt of notice in writing to Lessor of such damage or destruction elects

not to rebuild or repair said property, Lessor shall so notify Lessee and thereupon this Lease Agreement shall terminate and become null and void.

20. FAIR AND NONDISCRIMINATORY SERVICES.

Lessee, in the conduct of its authorized business activities agrees to furnish service in compliance with all applicable laws, rules and regulations with respect to the Agreement, the performance of its obligations hereunder, and the services to be provided hereunder. Lessee shall, at its expense, obtain and maintain the governmental authorizations, licenses, approvals, registrations and filings that may be required of it under applicable law, rules and regulations to perform this Agreement.. 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, 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 hereof, does hereby covenant and agree as a covenant running with the land that:

(1) No person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

(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 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 and as said regulation 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, 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 any subcontractor provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their subcontractor, 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, 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 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 sub-tenant's activities, whether 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 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. Lessee shall comply and cause all of its employees to comply with all laws, regulations, and ordinances governing or applicable to hazardous substances as well as the recommendations of any qualified environmental engineer or other expert which apply or pertain to the premises. 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.

23. NONEXCLUSIVE RIGHTS.

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

B. Lessor shall have the right to lease other portions of the Airport or Airport terminal building 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 12 of this Lease Agreement at rental rates or terms more favorable or less restrictive to the Lessee's than set forth in this Lease Agreement without Lessee approval in writing. Except however Lessor may provide incentives and other considerations to any other commercial airline carrier who provides direct service to locations not served with substantially the same direct service by Lessee. However, Lessor will offer the same or similar incentives to Lessee should Lessee elect to provide substantially the same direct service as any other commercial airline carrier receiving incentives and other considerations from Lessor, but only during the effective period of incentives provided to the other commercial airline carrier. Lessee understands and agrees that nothing in this Lease Agreement 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. UNIFORM RATES.

All Lessees or Fixed Base Operators at the Airport are subject to the same rates, fees, rentals and other charges as are uniformly applicable to all other Lessees or Fixed Base Operators making the same or similar use of the Airport, subject to reasonable classifications such as those found in 14 CFR Part 139, tenant or non-tenant status, or other similar classifications.

25. 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 Leased 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.

26. SUBORDINATE PROVISIONS.

This Lease Agreement 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. 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.

28. CHOICE OF LAW.

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

29. APPROVALS, CONSENTS AND NOTICES.

Notices required to be given to the Lessor shall be hand-delivered, sent via overnight courier service, or sent by certified mail, postage prepaid, addressed to:

Airport Manager
Santa Fe Municipal Airport
P.O. Box 909
Santa Fe New Mexico, 87504-0909

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:

Lorin Carr
Corporate Real Estate
American Airlines-Regional Airline Group
4333 Amon Carter Blvd. MD 5494
Fort Worth, TX 76155

or to such other respective addresses as shown by the date of the notice if delivered by hand or by the date of receipt as shown by the U.S. Postal Service Certified Mail Return Receipt, if mailed.

30. 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.

31. INVALID PROVISIONS.

In the event any covenant, condition or provision contained in this Lease Agreement is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, conditions or provisions contained in this Lease Agreement shall not affect the enforceability of the balance of this Lease Agreement; 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 the valid covenants, conditions or provisions of 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:

By: David Coss
David Coss, Mayor

ATTEST:

Yolanda Y. Vigil
Yolanda Y. Vigil, City Clerk
ccmtg 6/27/12

APPROVED AS TO FORM:

Judith Zamora
Geno Zamora, City Attorney
6/4/12

APPROVED:

Melville L. Morgan
Dr Melville L. Morgan, Finance Director
8/26/12

AMERICAN AIRLINES, INC.

By: *Christopher J. Collison*
Name and Title
Christopher J. Collison
Director Real Estate

ACKNOWLEDGMENT

STATE OF TEXAS)
)ss.
COUNTY OF TARRANT)

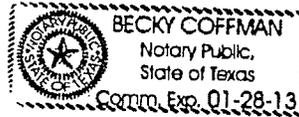
Subscribed and sworn to before me this 16 day of August, 2012 by

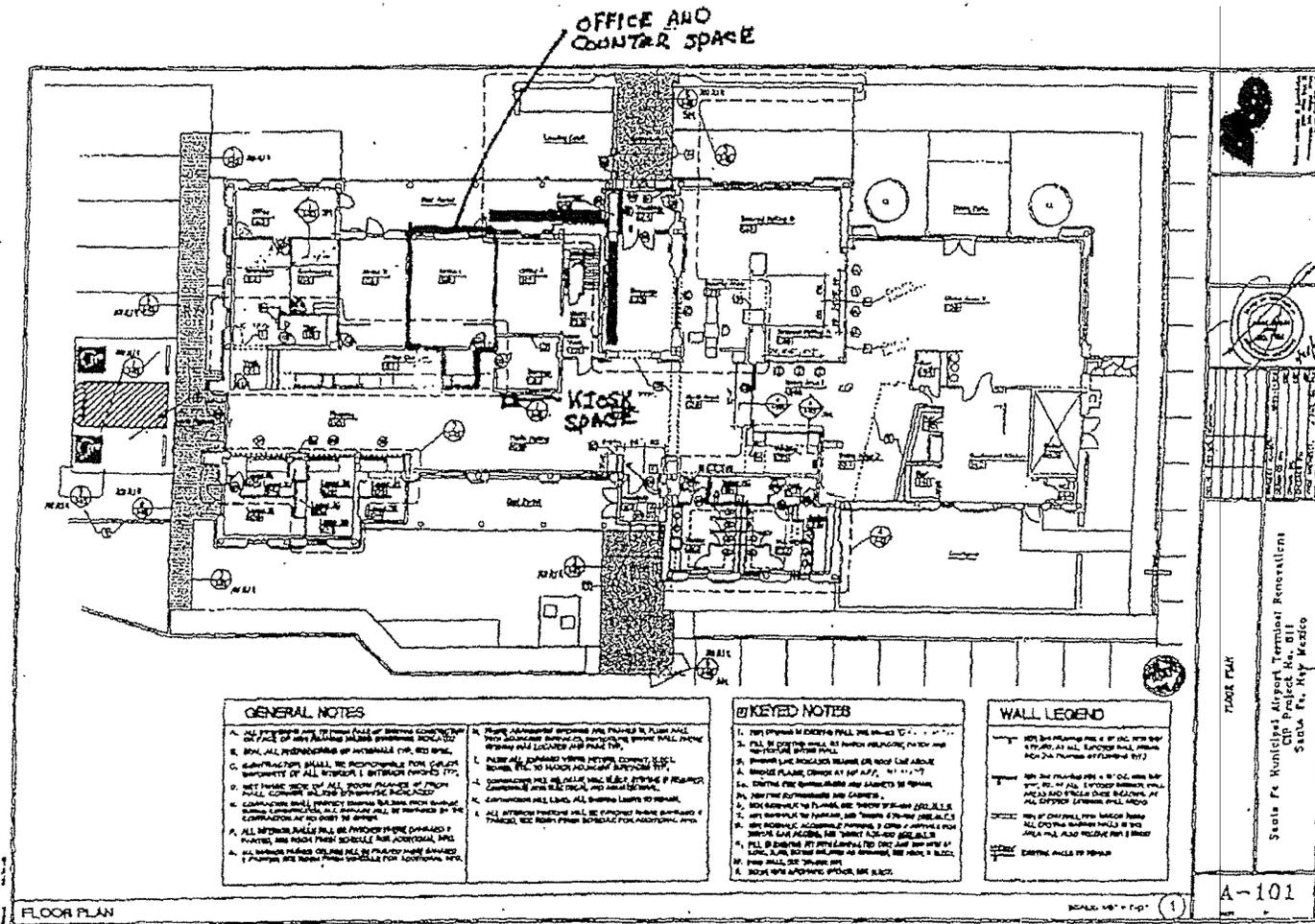
Chris Collison - Director Real Estate

Becky Coffman
Notary Public

My Commission Expires:

1-28-13





GENERAL NOTES

- A. ALL WORK IS TO BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- B. ALL WORK SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- C. CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.
- D. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.
- E. ALL MATERIALS AND METHODS SHALL BE APPROVED BY THE ARCHITECT AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.
- F. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- G. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- H. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- I. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
- J. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

KEYED NOTES

1. SEE NOTES ON EVERY WALL FOR FINISHES TO BE USED.
2. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
3. CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.
4. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.
5. ALL MATERIALS AND METHODS SHALL BE APPROVED BY THE ARCHITECT AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.
6. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
7. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
8. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
9. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.
10. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

WALL LEGEND

1. SEE NOTES ON EVERY WALL FOR FINISHES TO BE USED.

2. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

3. CONTRACTOR SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

4. ALL WORK SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.

5. ALL MATERIALS AND METHODS SHALL BE APPROVED BY THE ARCHITECT AND SHALL BE SUBJECT TO INSPECTION AND APPROVAL BY THE APPROPRIATE AGENCIES.

6. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

7. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

8. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

9. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

10. ALL WORK SHALL BE COMPLETED IN ACCORDANCE WITH THE LATEST EDITIONS OF THE BUILDING CODES AND ALL APPLICABLE REGULATIONS.

FLOOR PLAN

SCALE: 1/8" = 1'-0"

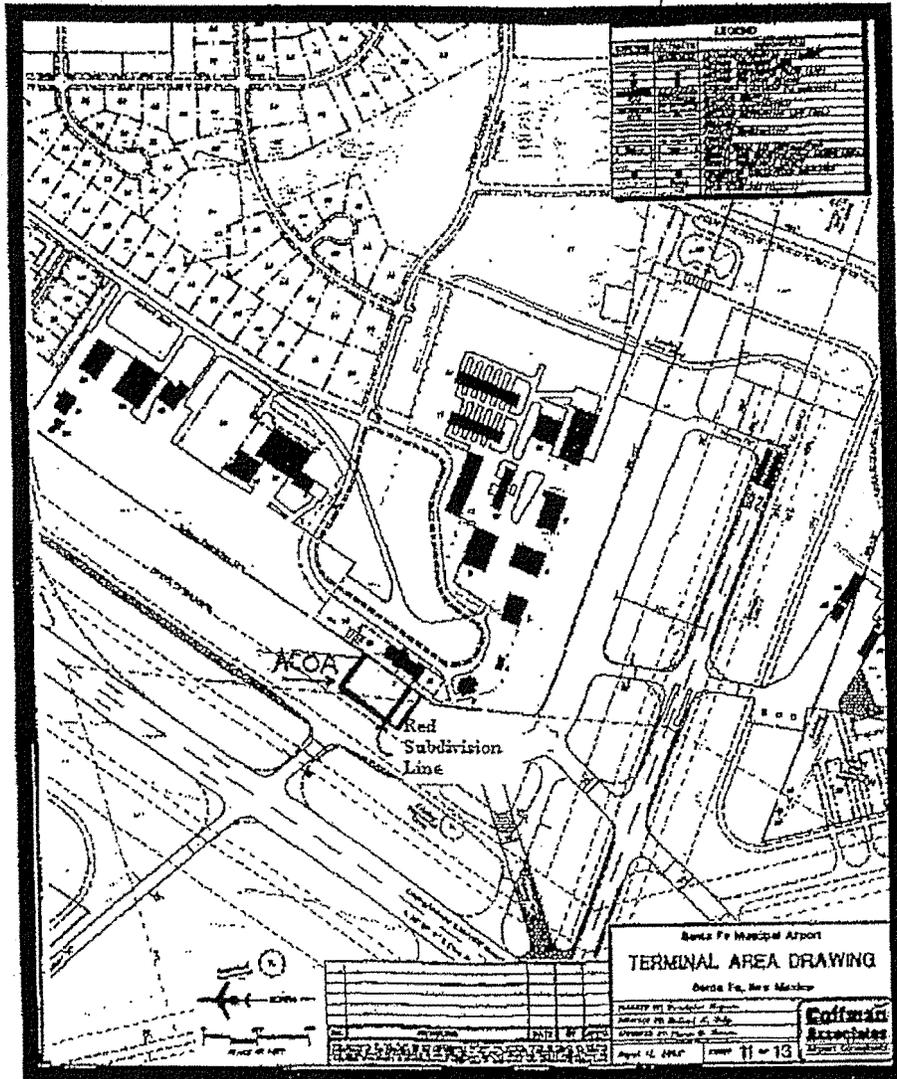
A-101

STATE OF MICHIGAN
 DEPARTMENT OF TREASURY
 STATE OF MICHIGAN
 DEPARTMENT OF TREASURY
 STATE OF MICHIGAN
 DEPARTMENT OF TREASURY

EXHIBIT A

EXHIBIT B

Aircraft Operating Area (ACOA)



SANTA FE MUNICIPAL AIRPORT
AIRLINE TERMINAL LEASE AGREEMENT

THIS LEASE AGREEMENT, is made and entered into on this 1st day of December, 2012, by and between the CITY OF SANTA FE, a municipal corporation, hereinafter "Lessor", and GREAT LAKES AVIATION, LTD. hereinafter "Lessee" or "Great Lakes".

WHEREAS, the Lessor owns and operates an airport known as the Santa Fe Municipal Airport ("Airport") and is desirous of leasing to the Lessee certain premises and facilities at the said Airport; and

WHEREAS, both the Lessor and Lessee have the right and power to enter into this Lease Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. PREMISES.

A. Lessor does hereby lease to Lessee a certain area of the Airline Terminal Building, containing 333 square feet more or less, more particularly described on Exhibit "A", attached hereto (hereinafter "Premises"). Premises includes approximately 60 square feet more or less of ticket counter and related space containing one cubicle and two operating positions. Lessor may reassign ticket counter space at its sole discretion. Reassignment of ticket counter space if required shall be made in writing by the Airport Manager, in consultation with Great Lakes. Should reassignment of ticket counter space become necessary Lessee shall be assigned comparable ticket counter space located in such a manner as to not disrupt Lessee's operations as determined by the Airport Manager. All reasonable costs of relocation as determined by Lessor due to reassignment of ticket counter space by Lessor shall be borne by Lessor. Lessee requested relocation if approved will be at Lessee's expense.

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

2. USE OF THE PREMISES.

The Premises shall be used by Lessee for the purpose of providing scheduled passenger service and non-scheduled charter service. In addition Lessee shall have access to the following at no additional charge except where stated:

A. Air Carrier Operating Area (ACOA). Lessee may use non-exclusively, the ACOA designated by the Lessor, which is illustrated by Exhibit "B" attached hereto and further defined in the Transportation Security Administration approved Airport Security Plan. Lessor may

re-designate, alter, or move the ACOA to suit airport operations at its sole discretion except that such re-designation, alteration, or move shall take into consideration the needs of commercial air carriers including Great Lakes and shall not limit the ability of Great Lakes to maintain its operation. Lessee shall be responsible for escorting passengers to and from the ACOA. All ACOA access doors and gates shall be closed and locked when not in use.

B. Secure Area and Gate. Lessee may use non-exclusively, the terminal building secure area and gate area. Lessee is encouraged to deconflict its flight schedule with the Airport Manager and/or other airlines prior to publication to ensure efficient use of this limited space area. Great Lakes shall work with other scheduled air carriers to insure efficient use of available space in this area. Should the individual airlines not be able to resolve schedule conflicts in a manner satisfactory to each of them, the Airport Manager shall act as arbitrator in resolving the dispute and his decision shall be final. If a non-secure area and or gate is desired, Great Lakes shall request such non-secure area and or gate in writing from the Airport Manager who will accommodate the request in the best interest of the Airport. The Airport Manager's determination shall be binding on Great Lakes.

C. Aircraft Parking. Lessee's aircraft are to be parked in those areas of the ACOA as designated by the Airport Manager for passenger loading and unloading. Aircraft parking for other than passenger loading and unloading shall be in the ACOA or other areas of the airport as designated by the Airport Manager. Lessee may at its sole discretion use hangar space provided by other businesses if desired.

D. Ground Support Equipment

(1) Lessor agrees to provide limited Lessor-owned non-exclusive use Ground Support Equipment (GSE) if required during the Term of this Lease agreement to support Lessee's operation as mutually agreed. Lessor shall charge Lessee a mutually agreed fee for use of each unit of GSE provided. Specific GSE provided and related use fees will be in accordance with Paragraph 5H of this Lease Agreement.

(2) Lessee shall pay for all necessary fuel for GSE operation. Should another air carrier be allowed to use the equipment such fuel purchases shall be pro-rated based on number of flights the equipment is used for by each carrier. All necessary maintenance shall be provided by the Lessor who shall retain liability for the use of such equipment except that Great Lakes agrees to hold harmless the Lessor from damages arising from the gross negligence of Great Lakes. Equipment maintenance required due to gross negligence of Great Lakes as determined by the Airport Manager shall be the responsibility of Great Lakes.

(3) If another commercial scheduled air carrier occasionally requires simultaneous use of Lessor-provided ground support equipment, the Airport Manager shall determine the priority of use. Lessee is encouraged to deconflict its flight schedule with the Airport Manager and/or other airlines prior to publication to ensure efficient use of ground support equipment. Great Lakes shall work with other scheduled air carriers to insure efficient use of available ground support equipment. Should the individual airlines not be able to resolve schedule

conflicts in a manner satisfactory to each of them, the Airport Manager shall act as arbitrator in resolving the dispute and his decision shall be final. Lessee is otherwise responsible for providing and maintaining all ground support equipment necessary for its operations.

(4) Lessee may provide its own exclusive-use ground support equipment at any time, at no cost to Lessor if desired.

E. Office, Ticket Counter and Other Equipment. Lessee is responsible for providing all office furniture, equipment and supplies necessary for conducting its business unless provided by Lessor at its sole discretion. Any such equipment provided by Lessor remains the property of Lessor and will be returned to Lessor at termination of this Lease Agreement unless otherwise agreed to in a separate purchase agreement between Lessor and Lessee.

F. Baggage Scales. Lessee may use non-exclusively the Lessor-provided baggage scale situated within or adjacent to assigned ticket counter space. Lessee shall provide for required calibration and maintenance of said baggage scale. If more than one airline uses the baggage scale adjacent to ticket counter space assigned to Lessee, Lessee agrees to pay for a prorated share of the calibration and maintenance costs based solely on number of airlines using the scale.

G. Signage. Signs such as company logo, schedule boards and other similar signs may be installed with the written approval of the Airport Manager. Velcro fastening system shall be used for wall signs unless specifically waived in writing by the Airport Manager. Signs shall be no larger than five feet in width unless otherwise approved in writing by the Airport Manager.

3. TERM AND TERMINATION.

A. Term. This Lease Agreement shall be for a three-year term beginning on December 1, 2012 and terminating on November 30, 2015. Such period, as the same may be sooner terminated or extended both as specifically provided in this Lease Agreement is referred to in this Lease Agreement as the "Term." Upon expiration of the Term or upon cancellation of this Lease Agreement, Lessee shall peacefully surrender and vacate the Premises.

B. Termination. Either party may terminate this Lease Agreement at any time, without regard to payment periods, by giving thirty (30) days written notice to the other party. Upon termination of this Lease Agreement by either party, the Lessee's rights to use the premises shall cease and the Lessee shall peacefully vacate the premises, removing its property at its own expense. 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 Agreement.

4. HOLDOVER.

In the absence of a new Lease Agreement entered into before the expiration of the initial Term under this Lease Agreement, Lessee shall be allowed to hold over for a period not to

exceed 90 days from the expiration date of the initial Term under this Lease Agreement at the sole discretion of the Airport Manager. Lessee may request permission to hold over 90 days prior to expiration of the Term and Airport Manager shall advise Lessee in writing whether Lessee shall be permitted to hold over within 10 calendar days of receipt of such request from Lessee. If the Airport Manager chooses not to permit a holdover, Lessee shall vacate the premises upon expiration of the initial Term. If the Lessee fails to timely vacate the premises, Lessee agrees to pay liquidated damages in the amount of \$500 per day of hold over. Holding over by the Lessee after the expiration of the initial Term under this Lease Agreement shall not operate to extend or renew this Lease Agreement. Any such holding over shall be construed as a tenancy from month to month at the rents reserved in this Lease Agreement under the terms herein. Failure to negotiate a new Lease Agreement within 90 days of the expiration of the initial term under this Lease Agreement shall be construed as a decision by the Lessee not to renew. Notwithstanding, so long as the parties are negotiating a renewal agreement in good faith Lessee may request that the Airport Manager grant Lessee the right to hold over for additional hold over periods, which permission shall be at the sole discretion of the Airport Manager.

5. RENT AND FEES.

The Lessee shall pay to the Lessor, at the office of the Airport Manager at the Santa Fe Municipal 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. Rent. Lessee shall pay to Lessor, at the office of the Airport Manager, seven hundred seventy three dollars and ninety-five cents (\$773.95) per month as rent for the Premises, on or before the first day of each calendar month. Rental payments received after the fifth day of the month shall be subject to and include an additional late charge of \$10.00. Any extension of time for the payment of any installment of rent shall not be a waiver of Lessor's right to insist on having all other payments of rent made in the manner and at the time herein specified.

B. Gate Fee. Lessee shall pay fifty cents (\$0.50) for each passenger enplaned for the cost of maintenance for the gate area. Lessee shall pay sixty cents (\$0.60) for each passenger who passes through the security screening equipment at the boarding gate while it is operated by the Lessor's personnel.

C. Landing Fee. Lessee shall pay three dollars (\$3.00) per one thousand (1,000) pounds gross landing weight for use of the Airport.

D. Fire Protection Fee. Lessor shall pay one dollar (\$1.00) per one thousand (1,000) pounds gross landing weight for Federal Aviation Administration required fire protection services provided for Lessee's aircraft. This fee is subject to annual renegotiation if required by Lessor.

E. Ramp Fee. Lessee shall pay fifteen dollars (\$15.00) per day or one-hundred and five dollars (\$105.00) per month, whichever is less for each aircraft remaining overnight and parked on Lessor's aircraft parking ramp space.

F. Passenger Facility Charge. Lessee shall collect and pay a Passenger Facility Charge once Lessor receives authorization for implementing a Passenger Facility Charge from the Federal Aviation Administration.

G. Security Fee. This fee is based on the minimum security posture required to support airline operations as defined by the Transportation Security Administration and the actual cost of contract security services provided. The Airport shall pay 33% of the cost of contract security services provided at the screening checkpoint, plus any additional costs attributable to unforeseen delays such as weather, mechanical failure and other similar causes. The airline shall pay 67% of the cost of contract security services provided at the screening checkpoint if the airline is the only airline using the screening checkpoint. Lessee shall therefore pay a Security Fee of eighteen dollars and ninety one cents (\$18.91) per actual flight departing with screened passengers onboard to cover security requirement costs directly attributable to airline operations and not otherwise funded by the Federal Government. In the event that another airline requiring use of the screening checkpoint begins operations at the Airport, this Security Fee will be fairly distributed by the Airport Manager among all airlines utilizing the airport and requiring screening check point security. In this case, notification of fee adjustment will be by a letter from the Airport Manager and will not require further amendment to this Lease. The Airport Manager may also adjust the amount of this fee based on future contract amendment with the security service provider, but in no case will the fee be raised in increments of more than 10%. Notification of fee adjustment due to contract amendment with the security service provider will be by a letter from the Airport Manager and will not require further amendment to this Lease.

H. Ground Support Equipment (GSE) use fees and conditions. Lessor will provide the GSE in accordance with Paragraph 2 of this Lease. Fees and conditions for use of this equipment are as follows:

(1) TLD ACE 500-1119 Airstart Unit or similar: \$75 per use as accounted for by Lessee. Lessee operates unit.

(2) Premier HC29050 Deicer or similar: \$1,400 per month, applying only to the months of November through March. There will also be a one time annual fee of \$700 to account for any use that may occur in months other than November through March. This annual fee is due and payable in April of each year. Lessee operates, and provides all fuel and deicing fluid. Because Lessee operates and provides all fuel and deicing fluid, should another air carrier operator elect to serve SAF and make use of the Premier HC29050 noted in this agreement, that air carrier shall contract with American Airlines to provide such deicing services. This clause shall not prevent the other air carrier from contracting for the use of a different deicing unit or providing their own equipment and operators.

(3) Keith Consolidated DXR Valet Cart or similar: \$50 per month.

(4) Phoenix Metals PNXL-60/40 Lavatory Service cart or similar: \$200 per month. Lessee provides all required fluids and is responsible for all operations and

dumping of contents when required. Lessee is responsible to ensure lavatory cart use and storage in such a manner as to preclude equipment failure due to freezing temperatures.

(5) Wasp, Inc. A203056D baggage carts or similar (quantity of four): \$125 per month each, or \$400 per month for use of all four.

(6) KCI Turboway 3025 Pax Ramp or similar: \$15 per use for aircraft departure as accounted for by Lessee.

(7) Columbia Medical 9010 Tracer 4 wheel chair (2 available): No charge.

(8) Columbia Medical 8010 Aisle Master Xfer Chair (1 available): No charge.

(9) Nothing contained within this amendment shall preclude Great Lakes from providing alternate equipment of their choice and at their cost and operating it. Should Great Lakes elect to provide specific pieces of equipment covered by the rates and charges above, such rates and charges for the specific piece of equipment shall cease at the beginning of the month following the month Great Lakes equipment is placed into service.

I. Adjustment of Fees. Lessor reserves the right to adjust the fees and charges specified herein in the event the Airport Manager determines that extraordinary circumstances necessitates taking such action. Lessee shall not be required to pay rent during any time the airport is unusable for operation by Lessee for a period in excess of 15 days.

J. Schedule of Payments. The fees specified in B through H above are due and payable to the Airport Manager by the twenty-fifth (25th) day of each month following the month of activity. Lessee agrees to provide timely enplanement, gross landing weight and other similar data to the Airport Manager as requested for the purpose of computing monthly bills and reporting to the Airport Advisory Board.

K. Late Payment Charge. Lessee shall pay a late payment fee of 1.5% per month on the entire balance due for each month or partial month thereafter for any fee payment due.

6. RECORDS AND AUDIT.

A. All records, accounts, books, delivery receipts and data on business activities performed under this Lease Agreement and maintained by the Lessee shall be subject to inspection and audit by the Lessor at Lessor's expense at all reasonable times. However, if, beginning on or after Jan 1, 2013, 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 of any 12 months period, and if Lessor thereafter requires an additional audit and such audit reveals a discrepancy of more than 5% of the gross receipts reported since the time of the last audit, then the full cost of such additional audit shall

be borne by the Lessee. Records shall be maintained for a period of not less than three (3) complete lease years.

B. 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 as absolutely confidential and not subject to use or disclosure by the Lessor for any purpose other than the ascertainment of rents, fees and charges under this 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.

7. INSURANCE.

A. The Lessee shall, at its own cost and expense, procure and maintain in full force and effect during the term of this Lease Agreement, the following insurance:

(1) Worker's Compensation and Employer's Liability. The Lessee shall comply with and provide insurance commensurate with the 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 Section 52-1-10, NMSA 1978, for safety devices. The Lessee shall require any subcontractor to provide such coverage, or qualify as a self-insured, for all the latter's employees. The Lessor, its officers or employees shall not be responsible for any claims or actions caused 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) Comprehensive General Liability. The Lessee shall procure and maintain a comprehensive general liability insurance policy, for bodily injury, including death, and property damage in such amounts that are not less than the maximum liability of public agencies as set forth in the New Mexico Tort Claims Act, N.M. Stat. Ann. 41-4-1, et seq. (1978) now constituted or hereafter amended. Said policies of insurance must include coverage for Premises, operations and the Lessee's liability to the Lessor hereunder. The Lessor shall be named as an additional insured on the general liability and property coverage insurance policies. The parties acknowledge that the certificate of insurance for General Liability coverage will be in the amount of Ten Million Dollars (US \$10,000,000).

B. Binders. A binder or certificate of insurance for all insurance policies required by this Lease Agreement shall be provided to Lessor at the time of the execution of this Lease Agreement. Certificates of insurance shall be delivered to the Airport Manager. Lessee shall not cancel or alter in any detrimental way any insurance policy required under this Lease Agreement without the prior written consent of Lessor.

C. Policy Cancellations. Policies shall provide that 30 days written notice shall be given to the Airport Manager before a policy is canceled, materially changed or not renewed, except, however, Lessor acknowledges that notification of cancellation of Lessee's Workers' Compensation/Employer Liability coverage may only be given 7 days in advance. A

certificate or policy which states that failure to give such notice imposes no obligation on the insurance company is unacceptable to this Lease agreement. Cancellation or other termination of any insurance policy issued in compliance with this section shall automatically terminate this Lease Agreement, unless another policy has been filed and approved pursuant to this section and shall be in effect within 45 days of the date of written notice to Lessee of such default.

D. Increase in Coverage. Lessor may require an increase in coverage in the event the maximum amount in the New Mexico Torts Claim Act are raised by the New Mexico State Legislature or by judicial mandate.

8. INDEMNIFICATION.

Lessee agrees to defend, indemnify and hold harmless Lessor from loss from each and every claim and demand of whatever nature, made on behalf of or by any person or persons, for any wrongful, careless or negligent act or omission of Lessee or Lessee's employees, agents, members and guests, and from all losses and damages by reason of such acts or omissions.

9. CANCELLATION BY LESSOR.

Lessor may cancel this Lease Agreement by giving Lessee written notice and opportunity to cure, within 30 days of the occurrence of the default, upon or after the happening of any of the following events:

A. Cancellation for Non-Payment. If the Lessee shall default in the payment obligations of above, 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 notice provisions, infra, 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 Leased Premises, whether with or without process of law. In the event of cancellation or non-payment, Lessor may, at its option, attach a landlord's lien to any improvements on the Premises, and said improvements may not be removed from the Premises without Lessor's prior approval.

B. Cancellation 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 or payment obligations discussed above and the default shall continue for 30 days after written notice thereof to the Lessee, given by the Lessor in accordance with the notice thereof to the Lessee, given by the Lessor in accordance with the notice provisions, infra, 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 Leased Premises, whether with or without process of law. However, if any default or breach may not reasonably and capably be cured within 30 days after written notice thereof, and if Lessee diligently attempts to cure the default or breach, Lessee may petition Lessor for additional time to cure the default, which petition will not be unreasonably denied. 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 of 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 an act of 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 rental 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 cancel this Lease and Agreement for failure by the Lessee to so perform, keep or observe any of the terms, covenants, agreements or conditions of this Lease Agreement.

C. Other Cancellation. The Lessor may cancel this Lease Agreement only by giving the Lessee 30 days advance written notice and opportunity to cure, whether with or without process of Law, upon or after the happening of any one of the following events:

(1) If Lessee ceases or fails to provide said service, Lessor may declare this Lease to be terminated and 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 property, using such force as may be reasonably necessary in doing so. 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 Agreement.

(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 occurrence of damage or destruction to the airport terminal by fire, or any other casualty and the failure of the Lessor to repair the damage.

(6) The cancellation or other termination of any insurance policy issued in compliance with this Lease Agreement shall automatically terminate this Lease agreement, unless another policy has been filed and approved pursuant to this section and shall be in effect within 45 days of the date of written notice to Lessee of such default.

(7) The breach of any of the nondiscrimination covenants, Lessor shall have the right to terminate this Lease Agreement and to reenter and repossess said leased premises thereon, and hold the same as if said Lease Agreement had never been made or issued.

10. CANCELLATION BY THE LESSEE.

The Lessee may cancel this Lease 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 Agreement by giving the Lessor 30 days advance written notice of its intentions to discontinue its business activities at the Airport.

11. RIGHTS OF LESSOR.

Lessor reserves the right to:

A. Operate the airport in the best interest of the public and 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 in the airport terminal regardless of any objection of the Lessee. The Lessor may relocate the Lessee if the physical development of the airport or the terminal requires relocation of the Lessee provided Lessor provides written notice to Lessee and Lessor bears such the costs associated with such relocation.

B. Enter upon the Premises at any reasonable time for the purpose of making any inspection for the proper enforcement of any of the covenants or conditions of this Lease Agreement and any federal, state, county or city laws, rules and regulations, now or hereafter in effect.

12. RIGHTS OF LESSEE.

The Lessee shall have the right to use the Airport Terminal Building for the following specific purposes:

A. Operation of a scheduled airline service, under the name of Great Lakes Airlines, however, that the privilege herein granted shall not be construed in any way as an exclusive right.

B. Installation and operation of identifying signs, logos, and advertising on the leased premises may be done only with the express written consent of Lessor or its authorized agent, such consent not to be unreasonably withheld. Such signs, logos, and advertising, if installed on carpeted walls must use a Velcro fastening system consistent with the carpet's design and capacity.

C. Access, ingress and egress with respect to the premises marked Exhibit "A" for Lessee, its employees, customers, vehicles and equipment used in the operation of a commercial airline business.

D. Use of a minimum of one terminal ticket counter cubicle having two work stations as allocated by the Airport Manager, whose determination is final. Lessee is responsible for installation, operation, and maintenance of its own work station equipment and supplies, and for

maintenance of allocated work stations. At the Airport Manager's discretion, additional work stations may be allocated if available.

E. Non-exclusive use of ticket counter scales provided by Lessor and adjacent to Lessee's counter at no charge, provided that Lessee is responsible for all scale maintenance and calibration costs. If there is more than one user of the scale normally used by Lessee, then calibration and maintenance costs will be shared equally.

13. SECURITY.

The airport is required to comply with 49 CFR Part 1542 Security Requirements. Lessee shall be required to implement, maintain and comply with the following procedures as a minimum and any other procedures required to satisfy Part 1542 Security Requirements. The Lessee shall be responsible for the control of persons, equipment and vehicles entering the ACOA or designated ramp space via terminal building doors and ramp gates that Lessee uses whenever the ACOA is active. The ACOA is active whenever screened baggage, screened personnel or secure aircraft are present within the ACOA. The Lessee agrees to implement and maintain, as a minimum, the following security measures concerning access control to and from the ACOA or designated ramp space:

A. During all hours, access points to the ACOA whether active or not and access points to designated ramp space used by Lessee for its operations shall be secured and locked.

B. Lessee's personnel shall immediately notify Lessor of trespass by any persons on the ACOA or designated ramp space and immediately require such trespasser to leave the ACOA or designated ramp space.

C. Lessee shall escort its customers, passengers and charges at all times while on the ACOA or designated ramp space.

D. The Lessee is responsible for training its personnel with respect to the security procedures described in this Lease Agreement and with respect to all other security procedures developed by the Lessor.

E. The Lessee shall participate in the Airport's security program and comply with applicable security procedures found in the Transportation Security Administration approved Airport Security Program (ASP).

F. The Lessee shall immediately notify the airport manager of any suspicious activities observed in or about the ACOA or designated ramp space.

G. Any unresolved questions concerning airport security shall be directed to the Airport Manager's Office.

H. The Lessee agrees to reimburse the Lessor for any penalties or fines levied against the Lessor by the Transportation Security Administration due to the Lessee's failure to abide by any security measures described herein.

I. Any of Lessee's personnel who use motorized baggage carts and tugs or other motorized vehicles in or about the ACOA or designated ramp space must possess a valid driver's license, comply with New Mexico state driving regulations, and attend a regularly scheduled ramp driving class conducted by Lessor prior to operating same on the ACOA or designated ramp space.

J. The Lessor reserves the right to revise the security procedures set forth herein. Failure by the Lessee to fully comply with the procedures set forth herein, or as revised, shall be sufficient grounds for the Lessor to immediately take necessary corrective measures until security acceptable to the Lessor is restored.

14. MAINTENANCE/CUSTODIAL SERVICES.

Lessor shall provide floor vacuuming and shampooing, painting, window washing and trash removal services for the Premises to the Lessee at the level provided to all other tenants in the Airport terminal. Lessee, at its sole cost and expense, shall maintain its personal property and improvements.

15. TRANSFER OF INTEREST.

Lessee may not at any time during the term of this Lease, sell, lease, assign, transfer or permit to be acquired, this Lease Agreement or any interest herein, nor shall Lessee sublease any portion of its leasehold interest without the written consent of the Lessor's Governing Body, which consent shall not be unreasonably withheld. This provision is not intended to prevent, or subject to approval by the Lessor's Governing Body, any corporate transaction (including any merger or other divestiture) Lessee may undertake, provided that the surviving entity following such transaction maintains a contractual arrangement to provide air services to Great Lakes Airlines. for a duration at least equal to the remaining balance of the Term of this Agreement.

16. OBSERVATION OF LAWS, RULES AND REGULATIONS.

Lessee agrees 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.

Lessee is responsible for its own telephone service. All other utilities, with respect to the Premises, shall be provided by the Lessor so long as the amounts of any utility are not excessive as determined by Lessor. Supplemental electric heating is not permitted unless approved

in writing by the Airport Manager.

18. ALTERATIONS AND IMPROVEMENTS.

A. Lessee shall not make or suffer or permit to be made any alteration, addition or improvements whatsoever in or about the Premises or the Airport without first obtaining the written consent of Lessor. 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 building.

B. Lessee shall allow no liens of mechanics, materialmen, laborer, architects, artisans, contractors, subcontractors, or any other lien of any kind whatsoever to be created against or imposed upon the said Premises, the Airport or any part thereof. Lessee shall, if required by Lessor, provide a labor and materialman's bond to cover all work and material and labor arising out of such alterations, additions or improvements.

C. Any and all alterations, additions or improvements, except shelving 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 immediately merge and become a permanent part of the Lessor's realty and any and all interests of Lessee therein shall immediately vest in Lessor 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 Agreement. The shelving 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 Agreement.

19. DESTRUCTION OF PREMISES.

If at any time during the Term of this Lease Agreement, 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 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 the event, however, Lessor within 30 days following receipt of notice in writing to Lessor of such damage or destruction elects not to rebuild or repair said property, Lessor shall so notify Lessee and thereupon this Lease Agreement shall terminate and become null and void.

20. FAIR AND NONDISCRIMINATORY SERVICES.

Lessee, in the conduct of its authorized business activities agrees to furnish service in compliance with all applicable laws, rules and regulations with respect to the Agreement, the performance of its obligations hereunder, and the services to be provided hereunder. Lessee shall, at its expense, obtain and maintain the governmental authorizations, licenses, approvals, registrations

and filings that may be required of it under applicable law, rules and regulations to perform this Agreement.. 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, 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 hereof, does hereby covenant and agree as a covenant running with the land that:

(1) No person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

(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 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 and as said regulation 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, 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 any subcontractor provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their subcontractor, 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, 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 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 sub-tenant's activities, whether 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 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. Lessee shall comply and cause all of its employees to comply with all laws, regulations, and ordinances governing or applicable to hazardous substances as well as the recommendations of any qualified environmental engineer or other expert which apply or pertain to the premises. 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.

23. NONEXCLUSIVE RIGHTS.

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

B. Lessor shall have the right to lease other portions of the Airport or Airport terminal building 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 12 of this Lease Agreement at rental rates or terms more favorable or less restrictive to the Lessee's than set forth in this Lease Agreement without Lessee approval in writing. Except however Lessor may provide incentives and other considerations to any other commercial airline carrier who provides direct service to locations not served with substantially the same direct service by Lessee. However, Lessor will offer the same or similar incentives to Lessee should Lessee elect to provide substantially the same direct service as any other commercial airline carrier receiving incentives and other considerations from Lessor, but only during the effective period of incentives provided to the other commercial airline carrier. Lessee understands and agrees that nothing in this Lease Agreement 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. UNIFORM RATES.

All Lessees or Fixed Base Operators at the Airport are subject to the same rates, fees, rentals and other charges as are uniformly applicable to all other Lessees or Fixed Base Operators making the same or similar use of the Airport, subject to reasonable classifications such as those found in 14 CFR Part 139, tenant or non-tenant status, or other similar classifications.

25. 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 Leased 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.

26. SUBORDINATE PROVISIONS.

This Lease Agreement 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. 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.

28. CHOICE OF LAW.

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

29. APPROVALS, CONSENTS AND NOTICES.

Notices required to be given to the Lessor shall be hand-delivered, sent via overnight courier service, or sent by certified mail, postage prepaid, addressed to:

Airport Manager
Santa Fe Municipal Airport
P.O. Box 909
Santa Fe New Mexico, 87504-0909

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:

Great Lakes Aviation, Ltd.
1022 Airport Parkway
Cheyenne, WY 82001

or to such other respective addresses as shown by the date of the notice if delivered by hand or by the date of receipt as shown by the U.S. Postal Service Certified Mail Return Receipt, if mailed.

30. 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.

31. INVALID PROVISIONS.

In the event any covenant, condition or provision contained in this Lease Agreement is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, conditions or provisions contained in this Lease Agreement shall not affect the enforceability of the balance of this Lease Agreement; provided that the invalidity of such

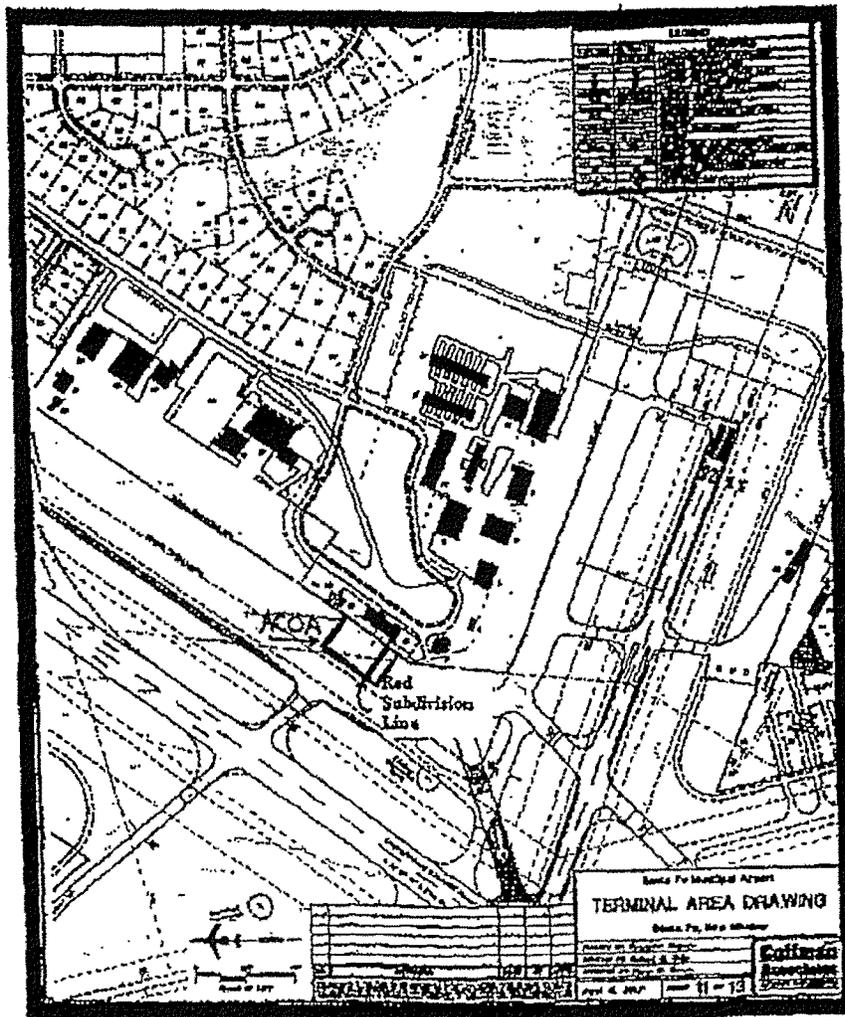
covenant, condition or provision does not materially prejudice either the Lessor or the Lessee in its respective rights and obligations contained in the valid covenants, conditions or provisions of this Lease.

In Witness Whereof, the parties hereto have caused this Lease Agreement to be executed as of the day and year first above written.

[This Section Intentionally Left Blank]

EXHIBIT B

Aircraft Operating Area (ACOA)



City of Santa Fe, New Mexico

memo

Date: September, 26, 2013

To: Brian Snyder, City Manager

From: Francey Jesson, Airport Manager

Via: Jon Bulthuis, Transportation Director

RE: **Airport Landing Fees**

City of Santa Fe Resolution No. 2001-78 was passed, approved and adopted on November 28th, 2001, establishing a rates and fees structure at Santa Fe Municipal Airport. See attached. The Resolution authorizes adjustment of said rates and fees from time to time by the Airport Manager with approval of the City Manager.

The attached Resolution sets the approved landing fee for airlines (Part 121) and charter (Part 135) operators at \$.90/1,000 lbs. In 2009, however, the City entered into a lease agreement with American Eagle, a Part 121 operator, and clearly set the contractual landing fee at \$3/1,000 lbs. A subsequent lease agreement in 2012 with Great Lakes Aviation, a Part 121 operator, sets the same landing fee of \$3/1,000. Beyond these two lease agreements, which were duly and properly executed by the City of Santa Fe, I can find no record that the adjusted landing fee was ever formally approved by the City Manager for any Part 121 or Part 135 operator using the airport with or without a lease agreement.

On September 26th, about a dozen charter aircraft will land at the airport. Based on the above, the airport can only charge these operators the lesser landing fee approved as per the Resolution. While this not only constitutes a loss in revenues, it also could be interpreted as being in non-compliance with Federal Grant Assurance No. 22 – Economic Nondiscrimination. It is not a violation of the Economic Nondiscrimination clause to charge signatory operators (those with a lease) and non-signatory operators (those without a lease) different landing fees. However, generally signatory operator landing fees are LESS than non-signatory because lessees usually also lease space on the airport.

Additionally, I have also revised Schedule A to reflect the airport's current Fire Protection Fee, which again, was established contractually with American Eagle and Great Lakes in their leases.

In the interest of immediately correcting this possible conflict with Grant Assurances, I am requesting that you formally approve the airports' landing fee for all Part 121 and Part 135 operators at \$3/1,000 lbs. certificated gross landing weight in excess of 18,000 lbs., as noted in the attached Revised Schedule A.

Schedule "A"
 Airport Users Fees
 Current as of January, 2013

1. Automobile parking is free for the first 4 hours, then \$3.00 per day for any additional parking.
2. Commercial airport landing fees are \$3.00 per 1,000 lbs of certificated maximum landing weight for aircraft being operated under either a Part 121 (airline) or Part 135 (charter) operating certificate **and** in excess of 12,500 pounds maximum gross weight.
3. A Fire Protection Fee shall be applied to any commercial flight requiring FAR Part 139 ARFF coverage, as per the Santa Fe Airport Certification Manual. The Fire Protection Fee is \$1.00/1,000 lbs of certificated maximum gross landing weight for any aircraft over 12,500 pounds.
4. A Security Protection Surcharge may be added to any fee established in this exhibit at the discretion of the City Manager if security requirements imposed by the FAA result in unexpected costs to the City of Santa Fe.
5. General Aviation (GA) Aircraft Parking Fees are established in the table below.

SMALL GA PARKING	CURRENT FEE	PROPOSED FEE
SINGLE ENGINE DAILY	\$4.50	\$6.00 per day, up to 7 days
TWIN ENGINE DAILY	\$8.50	\$10.00 per day, up to 7 days
SINGLE ENGINE MONTHLY	\$30.00	\$40.00
TWIN ENGINE MONTHLY	\$50.00	\$65.00
LARGE GA PARKING	CURRENT FEE	PROPOSED FEE
DAILY	NONE	\$15.00 per day, up to 7 days
MONTHLY	NONE	\$105.00

- a. "Small GA Aircraft Parking" refers to general aviation single or twin engine propeller driven aircraft with a total seating capacity (including crew) of 6 or less that park and/or tie down overnight or longer.
- b. "Large GA Aircraft Parking" refers to general aviation jet, or propeller driven aircraft with a seating capacity of more than 6 (including crew) that park and/or tie down overnight or longer. Commercial airliners that pay other access related fees to this airport are exempt.
- c. Aircraft utilized for cargo or specialized operations that reduce or eliminate normal seating will be charged as if in a manufacturer's baseline passenger configuration for the model in question.

Schedule "A"
Airport Users Fees
Current as of January, 2013

- d. Any GA aircraft having a wingspan greater than 60 feet will be charged the "Large GA Parking" fee, regardless of configuration. Exception: Gliders will pay the same amount as the "Small GA Twin Engine" category.
 - e. Helicopters will be charged using the same criteria as GA aircraft: By number of engines, and passenger capacity. Helicopters having a rotor span of more than 60 feet will be charged the "Large GA Parking" fee, regardless of configuration.
 - f. If there is any question, the Airport Manager will make the final determination as to what fee applies.
6. These fees may be adjusted from time to time by the Airport Manager with the approval of the City Manager.

Airport Manager

Date

- APPROVE
- NOT APPROVED

Brian Snyder, City Manager

Date



FAA
Airports

Grant Assurances Airport Sponsors

A. General.

1. These assurances shall be complied with in the performance of grant agreements for airport development, airport planning, and noise compatibility program grants for airport sponsors.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of Title 49, U.S.C., subtitle VII, as amended. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport; the term "private sponsor" means a private owner of a public-use airport; and the term "sponsor" includes both public agency sponsors and private sponsors.
3. Upon acceptance of this grant offer by the sponsor, these assurances are incorporated in and become part of this grant agreement.

B. Duration and Applicability.

1. **Airport development or Noise Compatibility Program Projects Undertaken by a Public Agency Sponsor.** The terms, conditions and assurances of this grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances.
2. **Airport Development or Noise Compatibility Projects Undertaken by a Private Sponsor.** The preceding paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of the facilities developed or equipment acquired under an airport development or noise compatibility program project shall be no less than ten (10) years from the date of acceptance of Federal aid for the project.

3. **Airport Planning Undertaken by a Sponsor.** Unless otherwise specified in this grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 30, 32, 33, and 34 in section C apply to planning projects. The terms, conditions, and assurances of this grant agreement shall remain in full force and effect during the life of the project.

C. **Sponsor Certification.** The sponsor hereby assures and certifies, with respect to this grant that:

1. **General Federal Requirements.** It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

Federal Legislation

- a. Title 49, U.S.C., subtitle VII, as amended.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq.¹
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act – 5 U.S.C. 1501, et seq.²
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Title 42 U.S.C. 4601, et seq.^{1 2}
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f).¹
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469c.¹
- h. Native Americans Grave Repatriation Act - 25 U.S.C. Section 3001, et seq.
- i. Clean Air Act, P.L. 90-148, as amended.
- j. Coastal Zone Management Act, P.L. 93-205, as amended.
- k. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a.¹
- l. Title 49, U.S.C., Section 303, (formerly known as Section 4(f))
- m. Rehabilitation Act of 1973 - 29 U.S.C. 794.
- n. Civil Rights Act of 1964 - Title VI - 42 U.S.C. 2000d through d-4.
- o. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- p. American Indian Religious Freedom Act, P.L. 95-341, as amended.
- q. Architectural Barriers Act of 1968 - 42 U.S.C. 4151, et seq.¹
- r. Power plant and Industrial Fuel Use Act of 1978 - Section 403- 2 U.S.C. 8373.¹
- s. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq.¹
- t. Copeland Anti kickback Act - 18 U.S.C. 874.1
- u. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq.¹
- v. Wild and Scenic Rivers Act, P.L. 90-542, as amended.
- w. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq.²
- x. Drug-Free Workplace Act of 1988 - 41 U.S.C. 702 through 706.

Executive Orders

Executive Order 11246 - Equal Employment Opportunity¹
Executive Order 11990 - Protection of Wetlands
Executive Order 11998 – Flood Plain Management
Executive Order 12372 - Intergovernmental Review of Federal Programs
Executive Order 12699 - Seismic Safety of Federal and Federally Assisted New
Building Construction¹
Executive Order 12898 - Environmental Justice

Federal Regulations

- a. 14 CFR Part 13 - Investigative and Enforcement Procedures.
- b. 14 CFR Part 16 - Rules of Practice For Federally Assisted Airport Enforcement Proceedings.
- c. 14 CFR Part 150 - Airport noise compatibility planning.
- d. 29 CFR Part 1 - Procedures for predetermination of wage rates.¹
- e. 29 CFR Part 3 - Contractors and subcontractors on public building or public work financed in whole or part by loans or grants from the United States.¹
- f. 29 CFR Part 5 - Labor standards provisions applicable to contracts covering federally financed and assisted construction (also labor standards provisions applicable to non-construction contracts subject to the Contract Work Hours and Safety Standards Act).¹
- g. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and federally assisted contracting requirements).¹
- h. 49 CFR Part 18 - Uniform administrative requirements for grants and cooperative agreements to state and local governments.³
- i. 49 CFR Part 20 - New restrictions on lobbying.
- j. 49 CFR Part 21 - Nondiscrimination in federally-assisted programs of the Department of Transportation - effectuation of Title VI of the Civil Rights Act of 1964.
- k. 49 CFR Part 23 - Participation by Disadvantage Business Enterprise in Airport Concessions.
- l. 49 CFR Part 24 - Uniform relocation assistance and real property acquisition for Federal and federally assisted programs.^{1 2}
- m. 49 CFR Part 26 – Participation By Disadvantaged Business Enterprises in Department of Transportation Programs.
- n. 49 CFR Part 27 - Nondiscrimination on the basis of handicap in programs and activities receiving or benefiting from Federal financial assistance.¹
- o. 49 CFR Part 29 – Government wide debarment and suspension (nonprocurement) and government wide requirements for drug-free workplace (grants).
- p. 49 CFR Part 30 - Denial of public works contracts to suppliers of goods and services of countries that deny procurement market access to U.S. contractors.

- q. 49 CFR Part 41 - Seismic safety of Federal and federally assisted or regulated new building construction.¹

Office of Management and Budget Circulars

- a. A-87 - Cost Principles Applicable to Grants and Contracts with State and Local Governments.
- b. A-133 - Audits of States, Local Governments, and Non-Profit Organizations

¹ These laws do not apply to airport planning sponsors.

² These laws do not apply to private sponsors.

³ 49 CFR Part 18 and OMB Circular A-87 contain requirements for State and Local Governments receiving Federal assistance. Any requirement levied upon State and Local Governments by this regulation and circular shall also be applicable to private sponsors receiving Federal assistance under Title 49, United States Code.

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in this grant agreement.

2. Responsibility and Authority of the Sponsor.

- a. **Public Agency Sponsor:** It has legal authority to apply for this grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.
- b. **Private Sponsor:** It has legal authority to apply for this grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative and shall in writing direct and authorize that person to file this application, including all understandings and assurances contained therein; to act in connection with this application; and to provide such additional information as may be required.

3. Sponsor Fund Availability. It has sufficient funds available for that portion of the project costs which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under this grant agreement which it will own or control.

4. Good Title.

- a. It, a public agency or the Federal government, holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.

- b. For noise compatibility program projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.

- a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in this grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.
- b. It will not sell, lease, encumber, or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise compatibility program project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in this grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under Title 49, United States Code, to assume the obligations of this grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee all of the terms, conditions, and assurances contained in this grant agreement.
- c. For all noise compatibility program projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise compatibility program project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.
- d. For noise compatibility program projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
- e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
- f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure

that the airport will be operated and maintained in accordance Title 49, United States Code, the regulations and the terms, conditions and assurances in this grant agreement and shall insure that such arrangement also requires compliance therewith.

- g. Sponsors of commercial service airports will not permit or enter into any arrangement that results in permission for the owner or tenant of a property used as a residence, or zoned for residential use, to taxi an aircraft between that property and any location on airport. Sponsors of general aviation airports entering into any arrangement that results in permission for the owner of residential real property adjacent to or near the airport must comply with the requirements of Sec. 136 of Public Law 112-95 and the sponsor assurances.
6. **Consistency with Local Plans.** The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport.
7. **Consideration of Local Interest.** It has given fair consideration to the interest of communities in or near where the project may be located.
8. **Consultation with Users.** In making a decision to undertake any airport development project under Title 49, United States Code, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.
9. **Public Hearings.** In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary. Further, for such projects, it has on its management board either voting representation from the communities where the project is located or has advised the communities that they have the right to petition the Secretary concerning a proposed project.
10. **Air and Water Quality Standards.** In projects involving airport location, a major runway extension, or runway location it will provide for the Governor of the state in which the project is located to certify in writing to the Secretary that the project will be located, designed, constructed, and operated so as to comply with applicable air and water quality standards. In any case where such standards have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from such Administrator. Notice of certification or refusal to certify shall be provided within sixty days after the project application has been received by the Secretary.
11. **Pavement Preventive Maintenance.** With respect to a project approved after January 1, 1995, for the replacement or reconstruction of pavement at the airport,

it assures or certifies that it has implemented an effective airport pavement maintenance-management program and it assures that it will use such program for the useful life of any pavement constructed, reconstructed or repaired with Federal financial assistance at the airport. It will provide such reports on pavement condition and pavement management programs as the Secretary determines may be useful.

12. **Terminal Development Prerequisites.** For projects which include terminal development at a public use airport, as defined in Title 49, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under section 44706 of Title 49, United States Code, and all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning and deplaning from aircraft other than air carrier aircraft.
13. **Accounting System, Audit, and Record Keeping Requirements.**
 - a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of this grant, the total cost of the project in connection with which this grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
 - b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to this grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which this grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.
14. **Minimum Wage Rates.** It shall include, in all contracts in excess of \$2,000 for work on any projects funded under this grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.
15. **Veteran's Preference.** It shall include in all contracts for work on any project funded under this grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to Vietnam

era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns owned and controlled by disabled veterans as defined in Section 47112 of Title 49, United States Code. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.

16. **Conformity to Plans and Specifications.** It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and, upon approval of the Secretary, shall be incorporated into this grant agreement. Any modification to the approved plans, specifications, and schedules shall also be subject to approval of the Secretary, and incorporated into this grant agreement.
17. **Construction Inspection and Approval.** It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.
18. **Planning Projects.** In carrying out planning projects:
 - a. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
 - b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
 - c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
 - d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
 - e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
 - f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
 - g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
 - h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of

this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.

19. Operation and Maintenance.

- a. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal, state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for non-aeronautical purposes must first be approved by the Secretary. In furtherance of this assurance, the sponsor will have in effect arrangements for-
- 1) Operating the airport's aeronautical facilities whenever required;
 - 2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and
 - 3) Promptly notifying airmen of any condition affecting aeronautical use of the airport. Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.
- b. It will suitably operate and maintain noise compatibility program items that it owns or controls upon which Federal funds have been expended.

20. Hazard Removal and Mitigation. It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.

21. Compatible Land Use. It will take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise compatibility program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce its compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.

22. Economic Nondiscrimination.

- a. It will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.
- b. In any agreement, contract, lease, or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or to engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor to-
 - 1) furnish said services on a reasonable, and not unjustly discriminatory, basis to all users thereof, and
 - 2) charge reasonable, and not unjustly discriminatory, prices for each unit or service, provided that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- c. Each fixed-based operator at the airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
- d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.
- e. Each air carrier using such airport (whether as a tenant, non tenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to facilities directly and substantially related to providing air transportation as are applicable to all such air carriers which make similar use of such airport and utilize similar facilities, subject to reasonable classifications such as tenants or non tenants and signatory carriers and non signatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classification or status.
- f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees [including, but not limited to maintenance, repair, and fueling] that it may choose to perform.
- g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by commercial aeronautical service providers authorized by the sponsor under these provisions.

- h. The sponsor may establish such reasonable, and not unjustly discriminatory, conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
- i. The sponsor may prohibit or limit any given type, kind or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. **Exclusive Rights.** It will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of the services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply:

- a. It would be unreasonably costly, burdensome, or impractical for more than one fixed-based operator to provide such services, and
- b. If allowing more than one fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport. It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under Title 49, United States Code.

24. **Fee and Rental Structure.** It will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under Title 49, United States Code, the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate basis in establishing fees, rates, and charges for users of that airport.

25. **Airport Revenues.**

- a. All revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the

airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. The following exceptions apply to this paragraph:

- 1) If covenants or assurances in debt obligations issued before September 3, 1982, by the owner or operator of the airport, or provisions enacted before September 3, 1982, in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.
 - 2) If the Secretary approves the sale of a privately owned airport to a public sponsor and provides funding for any portion of the public sponsor's acquisition of land, this limitation on the use of all revenues generated by the sale shall not apply to certain proceeds from the sale. This is conditioned on repayment to the Secretary by the private owner of an amount equal to the remaining unamortized portion (amortized over a 20-year period) of any airport improvement grant made to the private owner for any purpose other than land acquisition on or after October 1, 1996, plus an amount equal to the federal share of the current fair market value of any land acquired with an airport improvement grant made to that airport on or after October 1, 1996.
 - 3) Certain revenue derived from or generated by mineral extraction, production, lease, or other means at a general aviation airport (as defined at Section 47102 of title 49 United States Code), if the FAA determines the airport sponsor meets the requirements set forth in Sec. 813 of Public Law 112-95.
- b. As part of the annual audit required under the Single Audit Act of 1984, the sponsor will direct that the audit will review, and the resulting audit report will provide an opinion concerning, the use of airport revenue and taxes in paragraph (a), and indicating whether funds paid or transferred to the owner or operator are paid or transferred in a manner consistent with Title 49, United States Code and any other applicable provision of law, including any regulation promulgated by the Secretary or Administrator.
 - c. Any civil penalties or other sanctions will be imposed for violation of this assurance in accordance with the provisions of Section 47107 of Title 49, United States Code.

26. Reports and Inspections. It will:

- a. submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request and make such reports

available to the public; make available to the public at reasonable times and places a report of the airport budget in a format prescribed by the Secretary;

- b. for airport development projects, make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request;
- c. for noise compatibility program projects, make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of this grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request; and
- d. in a format and time prescribed by the Secretary, provide to the Secretary and make available to the public following each of its fiscal years, an annual report listing in detail:
 - 1) all amounts paid by the airport to any other unit of government and the purposes for which each such payment was made; and
 - 2) all services and property provided by the airport to other units of government and the amount of compensation received for provision of each such service and property.

27. **Use by Government Aircraft.** It will make available all of the facilities of the airport developed with Federal financial assistance and all those usable for landing and takeoff of aircraft to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by Government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that –

- a. Five (5) or more Government aircraft are regularly based at the airport or on land adjacent thereto; or
- b. The total number of movements (counting each landing as a movement) of Government aircraft is 300 or more, or the gross accumulative weight of Government aircraft using the airport (the total movement of Government aircraft multiplied by gross weights of such aircraft) is in excess of five million pounds.

28. **Land for Federal Facilities.** It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such

purposes. Such areas or any portion thereof will be made available as provided herein within four months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing (1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto; (2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and roads), including all proposed extensions and reductions of existing airport facilities; (3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon; and (4) all proposed and existing access points used to taxi aircraft across the airport's property boundary. Such airport layout plans and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The sponsor will not make or permit any changes or alterations in the airport or any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility or efficiency of the airport.
- b. If a change or alteration in the airport or the facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested, by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities except in the case of a relocation or replacement of an existing airport facility due to a change in the Secretary's design standards beyond the control of the airport sponsor.

- 30. Civil Rights.** It will comply with such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefiting from funds received from this grant. This assurance obligates the sponsor for the period during which Federal financial assistance is extended to the program, except where Federal financial assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon in which case the assurance obligates the sponsor or any transferee for the longer of the following periods: (a) the period during which the property is used for a purpose for which Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits, or

(b) the period during which the sponsor retains ownership or possession of the property.

31. Disposal of Land.

- a. For land purchased under a grant for airport noise compatibility purposes, including land serving as a noise buffer, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value, at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States' share of acquisition of such land will be, at the discretion of the Secretary, (1) reinvested in another project at the airport, or (2) transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order, (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund. If land acquired under a grant for noise compatibility purposes is leased at fair market value and consistent with noise buffering purposes, the lease will not be considered a disposal of the land. Revenues derived from such a lease may be used for an approved airport development project that would otherwise be eligible for grant funding or any permitted use of airport revenue.
- b. For land purchased under a grant for airport development purposes (other than noise compatibility), it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value or make available to the Secretary an amount equal to the United States' proportionate share of the fair market value of the land. That portion of the proceeds of such disposition which is proportionate to the United States' share of the cost of acquisition of such land will, (1) upon application to the Secretary, be reinvested or transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order: (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund.
- c. Land shall be considered to be needed for airport purposes under this assurance if (1) it may be needed for aeronautical purposes (including runway protection zones) or serve as noise buffer land, and (2) the revenue

from interim uses of such land contributes to the financial self-sufficiency of the airport. Further, land purchased with a grant received by an airport operator or owner before December 31, 1987, will be considered to be needed for airport purposes if the Secretary or Federal agency making such grant before December 31, 1987, was notified by the operator or owner of the uses of such land, did not object to such use, and the land continues to be used for that purpose, such use having commenced no later than December 15, 1989.

- d. Disposition of such land under (a) (b) or (c) will be subject to the retention or reservation of any interest or right therein necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with operation of the airport.
32. **Engineering and Design Services.** It will award each contract, or sub-contract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement **prescribed** for or by the sponsor of the airport.
33. **Foreign Market Restrictions.** It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.
34. **Policies, Standards, and Specifications.** It will carry out the project in accordance with policies, standards, and specifications approved by the Secretary including but not limited to the advisory circulars listed in the Current FAA Advisory Circulars for AIP projects, dated _____ (the latest approved version as of this grant offer) and included in this grant, and in accordance with applicable state policies, standards, and specifications approved by the Secretary.
35. **Relocation and Real Property Acquisition.** (1) It will be guided in acquiring real property, to the greatest extent practicable under State law, by the land acquisition policies in Subpart B of 49 CFR Part 24 and will pay or reimburse property owners for necessary expenses as specified in Subpart B. (2) It will provide a relocation assistance program offering the services described in Subpart C and fair and reasonable relocation payments and assistance to displaced persons as required in Subpart D and E of 49 CFR Part 24. (3) It will make available within a reasonable period of time prior to displacement, comparable replacement dwellings to displaced persons in accordance with Subpart E of 49 CFR Part 24.
36. **Access By Intercity Buses.** The airport owner or operator will permit, to the maximum extent practicable, intercity buses or other modes of transportation to

have access to the airport; however, it has no obligation to fund special facilities for intercity buses or for other modes of transportation.

37. **Disadvantaged Business Enterprises.** The recipient shall not discriminate on the basis of race, color, national origin or sex in the award and performance of any DOT-assisted contract or in the administration of its DBE program or the requirements of 49 CFR Part 26. The Recipient shall take all necessary and reasonable steps under 49 CFR Part 26 to ensure non discrimination in the award and administration of DOT-assisted contracts. The recipient's DBE program, as required by 49 CFR Part 26, and as approved by DOT, is incorporated by reference in this agreement. Implementation of this program is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the recipient of its failure to carry out its approved program, the Department may impose sanctions as provided for under Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. 3801).
38. **Hangar Construction.** If the airport owner or operator and a person who owns an aircraft agree that a hangar is to be constructed at the airport for the aircraft at the aircraft owner's expense, the airport owner or operator will grant to the aircraft owner for the hangar a long term lease that is subject to such terms and conditions on the hangar as the airport owner or operator may impose.
39. **Competitive Access.**
 - a. If the airport owner or operator of a medium or large hub airport (as defined in section 47102 of title 49, U.S.C.) has been unable to accommodate one or more requests by an air carrier for access to gates or other facilities at that airport in order to allow the air carrier to provide service to the airport or to expand service at the airport, the airport owner or operator shall transmit a report to the Secretary that-
 - 1) Describes the requests;
 - 2) Provides an explanation as to why the requests could not be accommodated; and
 - 3) Provides a time frame within which, if any, the airport will be able to accommodate the requests.
 - b. Such report shall be due on either February 1 or August 1 of each year if the airport has been unable to accommodate the request(s) in the six month period prior to the applicable due date.