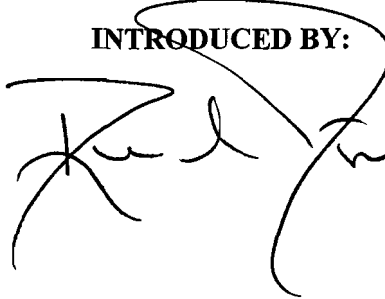


CITY OF SANTA FE, NEW MEXICO

BILL NO. 2008- 28

INTRODUCED BY:



AN ORDINANCE

RATIFYING THE LEASE OF APPROXIMATELY 3.27 ACRES OF LAND AT THE
SANTA FE MUNICIPAL AIRPORT THAT IS OWNED BY THE CITY OF SANTA FE.

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

Section 1. **The Lease.** The Governing Body of the City of Santa Fe hereby ratifies
a certain lease, (the "Lease"), for approximately 3.27 acres of land located at the Santa Fe
Municipal Airport, entered into by and between the City of Santa Fe and Cielo Azul de Santa Fe,
L.L.C. ("Lessee"), dated _____, 2008 and which expires on
_____, 2028, unless renewed as per the Lease, attached hereto as Exhibit "A".

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

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

A. Lessee: The Lessee is Cielo Azul de Santa Fe, L.L.C., 5619 Mariola

1 Place NE, Albuquerque New Mexico 87111-8332.

2 B. Property to be Leased: The City of Santa Fe shall lease to the Lessee,
3 approximately 3.27 acres of land located at the Santa Fe Municipal Airport, and more
4 fully described under the Lease.

5 C. Market value of the Leasehold Premises: The appraised value of the
6 leasehold premises is two hundred thousand dollars (\$200,000).

7 D. Payment terms of the Lease: The rental payment for the leasehold
8 premises shall be in an amount which will comply with applicable Federal Aviation
9 Administration grant assurances on economic self sustaining rate structures. The Lessee
10 shall be responsible for the cost of survey, appraisal and other closing costs.

11 E. Purpose of the Lease: The Lease authorizes the Lessee to use and
12 occupy the premises for construction of aircraft hangars for its own private and business
13 use and other related purposes more fully described under the Lease.

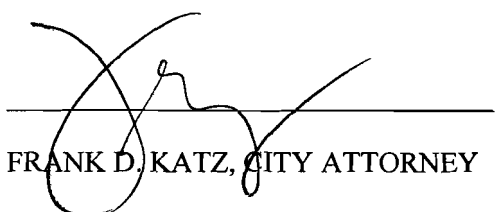
14 Section 4. **Repeal.** This ordinance shall become null and void and automatically
15 repealed upon any of the following circumstances:

16 A. The Lease is never fully executed; or

17 B. The Lease is terminated by either party; or

18 C. The expiration of the Lease.

19 APPROVED AS TO FORM:

20 
21 _____
22 FRANK D. KATZ, CITY ATTORNEY
23
24

25 *mdb/N/Resolutions2008/Airport (Cielo Azul de SF Properties lease)*

**SANTA FE MUNICIPAL AIRPORT
LEASE AGREEMENT
CIELO AZUL DE SANTA FE, LLC.**

THIS LEASE AGREEMENT, is made and entered into by and between the CITY OF SANTA FE, NEW MEXICO, a municipality and political subdivision of the State of New Mexico, hereinafter (the "Lessor"), and CIELO AZUL DE SANTA FE, LLC. hereinafter (the "Lessee"). The date of this Lease Agreement shall be the date when it is executed by the Lessor.

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, the Lessee is a corporation desirous of constructing hangars for the purpose of storing personally and business owned aircraft; and

WHEREAS, the Lessee is desirous of engaging in the business of renting hangar space to others; and

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

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

1. **PREMISES** Lessor does hereby lease unto the Lessee the exclusive rights to the described Premises and facilities at the Airport, the lot designated as L-3A on the City of Santa Fe Exhibit prepared by Dawson Surveys, dated 9/11/06, more particularly described on Exhibit "A" attached hereto, containing approximately 3.27 acres (142,409 square feet) more or less, together with rights of access, ingress and egress thereto.

2. **USE OF THE PREMISES AND RIGHT TO CONSTRUCT**

A. Lessee shall use the Premises solely for the purpose of constructing aircraft hangars for its own private or business use, and for sublease to others for storage of personal or business owned aircraft, conduct of aircraft-for-hire business or other similar aircraft related businesses. No other commercial business activities of any kind shall be conducted on the leasehold by Lessee or its sub-lessees. No vehicles of any type shall be parked on the premises or inside the hangars except those used for transportation to and from the Premises. No long term parking or storage of any other vehicle shall be permitted unless specifically approved in writing as an exception by Cielo Azul De Santa Fe, LLC, and unless the hangar's primary use remains as aircraft storage. Lessor reserves the right to revise vehicle parking provisions of this Article 2A at any time Lessor may deem necessary.

B. Lessee shall have the right to erect and maintain aircraft hangars upon said premises as depicted on Exhibit "B" attached hereto, provided such buildings are consistent with the Airport Master Plan (as amended or may be amended in the future), Airport Minimum Standards Ordinance (as amended, or may be amended in the future), the Building

Code requirements of the New Mexico Construction Industries Division, and any City of Santa Fe or Santa Fe County ordinance now or hereafter in effect. Title to such construction, installations, and equipment, shall remain the property of the Lessee during the term of this Lease Agreement and the Lessee shall have the right to remove the buildings and equipment at any time during the term of the lease agreement. Upon expiration of this lease agreement, or as it may be amended in the future, title to such construction, as remains, but shall pass to the Lessor.

C. Lessee shall, at its own expense, prepare plans and specifications for the total project which shall be submitted to and approved by the Airport Manager prior to any construction commencing. Lessor assumes no liability or responsibility for any defect in any structure constructed from such plans or specifications.

D. Lessee must start construction of the first hangar within 6 (six) months of the date of this Lease Agreement, and complete construction of all planned hangars within 12 (twelve) months after the start of such construction or this Lease Agreement will be null and void, provided, however, that the start and completion times may be extended on a day-for-day basis for delays caused by adverse weather or other unforeseen circumstances as determined by the Airport Manager.

E. Lessor shall provide reasonable easements for egress, ingress and utilities to serve the Premises.

F. The Premises is served by a nonexclusive use taxilane. Lessee shall have the right to connect to this taxilane at no cost to Lessor and subject to approval by the Airport Manager.

G. Lessee must receive prior written approval from Lessor and the Federal Aviation Administration for any and all buildings, structures and improvements to be placed on the Premises. Lessee shall provide a schedule for completion dates of all improvements at the time plans for construction or alteration are presented to the Lessor for review and approval, which approval will not be unreasonably withheld. Prior to commencing construction of any structures on the Premises, Lessee must demonstrate its financial capability to complete and pay for such construction by way of an irrevocable letter of credit, irrevocable financing commitment, performance bond or other means satisfactory to Lessor.

H. Upon receiving consent from Lessor, whose consent shall not be unreasonably withheld, Lessee shall have the right to remodel, remove, demolish or destroy any future structures or improvements constructed by Lessee on the Premises without compensation to Lessor, so long as the Premises are left in a safe and sightly condition.

I. Lessor shall control automobile access to any leasehold ramp, apron, taxilane or similar property where aircraft operation of any type could reasonably be expected to occur by installing new or maintaining existing chain link fencing and a minimum of two powered and code activated nonexclusive use vehicle access security gates of Lessor's choice along Aviation Drive and as depicted in Exhibit "B". Lessee shall be allowed to move the existing powered and code activated gate located on the south end of the Premises to the east side of the Premises along Aviation Drive as depicted in Exhibit "B" at no cost to Lessor and subject to approval by the Airport Manager. All gates shall remain secured at all times. Lessee shall not interfere in any way with any use of these security gates by authorized airport vehicles, emergency vehicles or vehicles or authorized personnel traveling to adjacent or nearby

properties. Lessee shall unconditionally grant access to these adjacent or nearby properties by allowing said vehicles or personnel to travel across the Premises utilizing the most direct route. Lessee shall take no action intended to delay or discourage use of these security gates or access to said properties. For the purposes of this paragraph, authorized means, vehicles or personnel who have been provided with keys or codes necessary to activate these gates by airport management, Lessee or other airport leaseholders.

3. TERM OF LEASE

A. Term. This Lease Agreement shall be for a twenty (20) year term beginning when executed by the Lessor, and terminating on _____. Such twenty-year 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 any extension thereof or upon cancellation of this Lease Agreement, Lessee shall peacefully surrender and vacate the Premises.

B. Option to Renew. The Lessor hereby grants to Lessee the option to renew this Lease Agreement for two additional ten (10) year terms. The terms and conditions of such renewal shall be the same terms and conditions as are set forth in this Lease Agreement except for ground space rent which shall increase from the rate in effect at the end of the previous lease term pursuant to Article 5, Paragraph A of this Lease Agreement. Provided, however, that at such time as either option is exercised this Lease Agreement will be amended to conform to all federal and other regulations and grant requirements related to the Airport development and operation. Lessee shall notify Lessor in writing of its intention to exercise the renewal option not less than three (3) months before the expiration of the initial term or extension of the initial term; otherwise, the option shall be deemed to have been waived. At expiration of this Lease Agreement, Lessee shall, at Lessor's sole discretion, be afforded the opportunity to negotiate and enter a new Lease Agreement with the City of Santa Fe for use of the Premises.

C. Termination. 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 within thirty (30) days of written notification of termination by Lessor. Termination by the Lessor shall not relieve the Lessee of liability for any damages sustained by the Lessor caused by Lessee's breach of this Lease Agreement.

4. HOLDOVER

In the absence of a new lease agreement entered into before the expiration of the initial 20 year Term under this Lease Agreement or any extension thereof, Lessee shall be allowed to hold over for a period not to exceed 60 days from the expiration date of the initial 20 year Term under this Lease Agreement or the expiration of any option period. Holding over by the Lessee after the expiration of the initial 20 year Term or any option period under this Lease Agreement, whether with or without the consent of the Lessor, 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 set forth in this Lease Agreement under the terms herein.

5. RENT AND FEES

The Lessee agrees to 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. Ground Space Rent. Lessee shall pay to Lessor an annual rental fee of twelve cents per square foot for the Premises.

B. Schedule of Payments for Ground Space Rent. The fixed rentals as provided in Article 5, Paragraph A shall be payable to the Lessor, on an annual basis on the first day of the first month of the year. The annual basic rent as computed above shall be adjusted by either of the following two methods, at Lessor's option: (1) The annual basic rent as computed above shall be adjusted upward at the end of each three (3) year period by an amount equal to the total annual percentage rate increase in the cost of living index published by the United States Bureau of Labor Statistics, or any successor agency, for the three years immediately preceding the adjustment. The first such adjustment under this paragraph shall take place on the third anniversary of the date of this Lease Agreement, and then on the anniversary date every third year thereafter; or (2) the annual basic rent shall be adjusted upward by the use of an appraisal. The appraised value per square foot shall become the basis for the Ground Space Rent. Said appraisal shall be paid for by the Lessor and shall not be conducted more than once every five years. The year that the appraised value takes effect shall become the base year for calculating adjustments of the annual rent under this paragraph..

C. Percentage of Gross Receipts Fees. Lessee shall pay to Lessor the following: A sum equal to 2.0% of the adjusted gross receipts from all business conducted and carried on by Lessee. In addition, Lessee shall require that any corporation member or sublessee conducting any aircraft-for hire or other aviation related business notify Lessor of the intent to conduct such business, and require that any corporation member or sublessee conducting any aircraft-for-hire or other aviation related business pay to Lessor the following: A sum equal to 2.0% of the adjusted gross receipts from all business conducted and carried on by corporation members or sublessees upon the Premises. The term "adjusted gross receipts" as used in this Lease Agreement shall mean the aggregate amount of all sales made, and services performed, for cash, on credit or otherwise, of every kind, name and nature. Adjusted gross receipts shall also include the aggregate value of all goods, wares and merchandise received for property services, at the selling price thereof, as if the same had been sold for cash. There shall be excluded from adjusted gross receipts: (a) federal, state and municipal sales taxes, excise taxes, gross receipts taxes and all other similar taxes separately stated and/or collected from customers; (b) bad debts and uncollectible accounts. This adjusted gross receipts fee shall be increased or decreased at such time as any other similar but fixed base operator lease fee is adjusted or implemented. This percentage of gross receipts fee is due and payable within 30 days of the end of each calendar year. Lessee, upon notification by the Airport Manager of any corporation member or sublessee in default of this requirement, shall require that the corporation member or sublessee in default vacate the Premises within 30 calendar days from receipt of said notification.

D. Security and Fire Protection Fees. Lessor reserves the right to impose fair and equitable fees for Security and Fire Protection should such services be provided by Lessor.

E. Late Payment Penalty. If the fixed rental payment as provided in Article 5 Paragraph A, is not received within the twenty-five (25) days of its due date, the Lessee shall pay a finance charge of 1-1/2% per month (18% annually) on such past due payment for each

month or partial month thereafter that any payment due is not made.

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

6. RECORDS AND AUDIT

A. All records, accounts, books, and data maintained by the Lessee shall be subject to inspection and audit by the Lessor at Lessor's expense at all reasonable times. Records shall be maintained for a period of not less than three complete lease years. Records establishing the book value of any improvements shall be maintained for the duration of the Lease Agreement.

B. Lessee shall submit to Lessor with the annual rent payment a list containing the names of the current members and/or sublessees, the unit assigned, the make and registration number of the aircraft parked in the unit, and whether or not the member or sublessee is conducting an aircraft-for-hire or aviation related business on the premises.

C. The records and statements provided 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 Lease Agreement. Lessor may use information and data provided by the Lessee to compile gross receipts reports for airport activity reports.

7. INSURANCE

A. Insurance Required. 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 insurances:

(1) Worker's Compensation and Employer's Liability. The Lessee shall comply with the provisions of the New Mexico Worker's Compensation Act, the Subsequent Injury Act, and the Occupational Disease Disablement Law. The Lessee shall require any corporation member or sublessee conducting business on the Premises to comply 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 N.M. Stat. Ann. 52-1-10 NMSA1978, for safety devices. The Lessee shall procure and maintain complete Worker's and Employer's Liability Insurance in accordance with New Mexico laws and regulations. The Lessee shall require any corporation member or sublessee conducting business on the Premises to procure and maintain complete Worker's and Employer's Liability Insurance in accordance with New Mexico laws and regulation. If the Lessee elects to be self-insured, the Lessee shall comply with the applicable requirements of

law. The Lessee shall require any member, subcontractor or sub-lessee similarly 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 occasioned by the Lessee's failure to comply with the provisions of this subparagraph. It is expressly understood that employees of the Lessee are not Lessor's employees for any purpose.

(2) Comprehensive General Liability. The Lessee shall procure and maintain a comprehensive general liability insurance policy, including automobile liability coverage for all vehicles used on the Premises, 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-I, 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.

(3) Hangar-Keeper Liability Coverage. The Lessee shall procure and maintain hangar-keeper insurance with liability limits to cover losses to reasonably be expected.

(4) Property Insurance. The Lessor shall be named as an additional insured on the general liability and property coverage insurance policies. The policies shall be written by companies authorized to write such insurance in New Mexico, and properly filed with and approved by the Superintendent of Insurance of the State of New Mexico. They shall be in a form satisfactory to the Lessor.

B. Binders. A binder 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 within 30 days of the date of this Lease Agreement. The policies provided herein shall not be subject to cancellation without providing Lessor thirty (30) days written notice thereof. Lessee shall promptly replace any policies terminated or canceled and shall insure no gaps in coverage.

8. HOLD HARMLESS

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 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 of any alleged default under or breach of the Lease Agreement and thirty days within which to cure any default or breach upon or after the happening of any of the following events:

A. Cancellation for Non-Payment. If the Lessee shall default in any payment obligations contained herein, and the default shall continue for 30 days after the effective date of written notice thereof to the Lessee, given by the Lessor in accordance with the provisions of this Lease Agreement, 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 for 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 Agreement other than in the performance or payment obligations, as set forth above, and the default shall continue for thirty (30) days after written notice thereof to the Lessee, given by the Lessor in accordance with the provisions of this Lease Agreement, 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 thirty (30) days after written notice thereof, and if Lessee diligently attempts to cure the default or breach, Lessee shall pay Lessor for all costs incurred by Lessor as a result of Lessor's default; and such payment shall be made promptly upon Lessee's receipt of written demand from Lessor.

(2) No waiver of default by the Lessor of any of the terms, covenants, agreements or conditions hereof to be performed, kept and observed by the Lessee shall be construed to be 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 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 written notice and opportunity to cure, with or without process of Law, upon or after the happening of any one of the following events:

(1) If Lessee fails to use the Premises for the purposes set forth in Article 2 Paragraph A, Lessor may declare this Lease Agreement to be terminated and to re-enter the Premises or any part thereof, with or without the process of law, to expel, remove and put out Lessee or any other persons occupying the Premises, 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 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 Lease

Agreement.

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

10. CANCELLATION BY LESSEE

The Lessee may cancel this Lease Agreement and terminate all or any of its obligations hereunder at any time that the Lessee is not in default in the payment of any rents or fees to the Lessor pursuant to this Lease 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 the right, without interference or hindrance to maintain, improve, or further develop the landing area or public use facilities of the Airport as it sees fit, regardless of any protest of the Lessee and to lease additional space to other concessions at the Airport regardless of any objection of the Lessee. The Lessor may relocate the Lessee at Lessor's expense if the physical development of the airport or the terminal requires relocation of the Lessee provided Lessor provides 60 days written notice to Lessee and the Lessor provides a location substantially similar in form and access. Lessor will compensate Lessee for any actual expenses of relocation incurred by Lessee, subject to Lessor's prior approval of such expenses.

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

12. RIGHTS OF LESSEE

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

1. In common with others so authorized, to use common areas of the airport, including runways, taxiways, aprons, roadways, floodlights, landing lights, signals and other conveniences for the take-off, flying and landing of aircraft.

2. To the non-exclusive use, in common with others, of the airport, appurtenances and improvements thereon, but this shall not restrict the right of the Lessor to charge visitors a fee for the use of such areas.

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

4. Of access to and from the Premises, limited to taxiways, streets, driveways and sidewalks designated for such purposes by the Lessor, and which right shall

extend to Lessee's members, sublessees, and guests.

B. Lessee or it's members or sublessees are authorized, but not required, to provide the following services and to engage in the following activities:

1. Lease of aircraft hangars for the purpose of private or business aircraft storage together with all other normal, reasonable and related activities except as may be excluded herein and to be consistent with the Santa Fe Municipal Airport Minimum Standards Ordinance, as may be amended in the future;

2. Private aircraft storage;

3. Conduct aircraft-for-hire or other aviation related business together with all other normal, reasonable and related activities except as may be excluded herein and to be consistent with the Santa Fe Municipal Airport Minimum Standards Ordinance, as may be amended in the future

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

13. MAINTENANCE OF STRUCTURES

Lessee shall maintain the structures on the Premises, keep the Premises in good order, make such repairs as are customary, remove abandoned equipment from the Premises and shall not deposit the same on or any portion of the Airport except on such areas as shall be reasonably designated by Lessor. The Lessee shall be responsible for providing all customary and necessary janitorial and custodial services on the leased Premises. The Lessee shall be responsible for snow, rubbish, and trash removal and weed control along with any other work that detracts from the appearance of the Airport.

14. TRANSFER OF INTEREST

Except as otherwise provided herein, Lessee may not, without the written consent of Lessor, which shall not be unreasonably withheld, at any time during the term of this Lease Agreement, sell, lease, assign, transfer or permit to be acquired, this Lease Agreement or any interest herein. Lessee may sublease any portion of the leasehold interest to parties who accept the terms of this Lease Agreement pursuant to any sublease agreement. A single sublease of more than sixty percent (60%) of the square footage of the leasehold shall require approval of the Lessor, which approval shall not be unreasonably withheld. The Lessee shall, however, be permitted to enter into a leasehold mortgage, collateral assignment or security interest in the form approved by the Lessor, for construction and/or business operation financing purposes, however, the amount secured by such financing shall not exceed eighty percent (80%) of the value of the leasehold improvements on the Premises. Leasing and subleasing of hangar space on the Premises, to individual aircraft owners, shall be allowed without Lessor's consent subject to Article 5 Paragraph C of this Lease Agreement.

15. OBSERVATION OF LAWS, RULES AND REGULATIONS

Lessee and Lessor agree to observe and obey during the Term of this Lease Agreement, 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.

16. UTILITIES, REFUSE AND SEWER

Lessee is responsible for providing all installation and service cost for all utility, refuse and sewer needs at Lessee's sole expense. Lessee agrees that if in the future Lessor decides to provide sewer or refuse service to the Premises, then Lessee will pay a reasonable and fair charge for such service(s). Until such time, Lessee shall be responsible for its own refuse disposal.

17. ALTERATIONS AND IMPROVEMENTS

A. Lessee shall not make or suffer or permit to be made any alterations, additions or improvements whatsoever in or about the Premises without first obtaining the written consent of 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, laborers, architects, artisans, contractors or subcontractors to be created against or imposed upon the said Premises. Lessee shall, as required by law, provide a labor and materialman's bond to cover all work and materials and labor arising out of such alterations, additions or improvements. No default shall occur if Lessee contests the amount or validity of any such lien, and actively litigates such claim to conclusion. Lessee may bond against such lien, as may be allowed by law, without constituting a default hereunder.

C. Any and all alterations, additions and improvements, except shelving 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.

18. FAIR AND NONDISCRIMINATORY SERVICES

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

Lessee shall not permit its employees or agents to solicit customers on public property.

19. TITLE VI. CIVIL RIGHTS ASSURANCES

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

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

(3) The Lessee shall use the premises in compliance with all requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

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

20. AIRCRAFT SERVICE BY OWNER OR OPERATOR OF AIRCRAFT

No right or privilege has been granted which would prevent Lessee or sub-lessees from performing any maintenance, repair or self-fueling on its own aircraft as long as such work or services are not contrary to any Federal State or Local law, rule, regulation, now or hereafter in effect.

21. 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 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, 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. Lessee, it's members and sublessees shall participate in the Santa Fe Municipal Airport Voluntary Noise Abatement Program.

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

E. 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 subtenant's activities on the Premises, subsequent to the execution of this Lease Agreement but before, during or after construction, in or around any part of the property or the soil, groundwater or soil vapor on or under the property, including those incurred in connection with any investigation of site conditions or any cleanup, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any parties or to any natural resources. Upon demand by Lessor, Lessee shall defend any investigation, action or proceeding alleging the presence of any hazardous substance as a result of Lessee's or its subtenant's occupancy of the leased property, in any such location which affects the property or which is brought against the Lessor, whether alone or together with Lessee or any other person, all at Lessee's own cost and by counsel to be approved by Lessor in the exercise of its reasonable judgment. Should Lessee fail to defend such action, then Lessor may elect to conduct its own defense at the expense of the Lessee. Lessee shall comply and cause all occupants of the property to comply with all laws, regulations, and ordinances governing or applicable to hazardous substances. Lessee acknowledges that hazardous substances may permanently and materially impair the value and use of real property. Lessee shall promptly notify Lessor if it knows, suspects or believes, there may be any hazardous substance in or around the property or in the soil, groundwater, or on or under the leased property, or that Lessee or the property may be subject to any threatened or pending investigation by any governmental agency under any law, regulation, or ordinance pertaining to any hazardous substance. Lessee shall have no obligation to defend, indemnify, or hold harmless Lessor from any claims, causes of action, or damages which arise on account of Lessor's own conduct, the conduct of third parties other than Lessee's subtenants, or which is attributable to pre-existing conditions or events over which Lessee exercise no control, even though the leased Premises may be impacted thereby.

22. 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 to other lessees, including other ground, air and transportation services. 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.

23. 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.

24. 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.

25. OBSTRUCTIONS

A. Lessor reserves the right to take any action it considers necessary to protect the aerial approaches of the airport against obstruction, together with the right to prevent Lessee from erecting, or permitting to be erected, any building or other structure on the airport which, in the opinion of the Lessor, would limit the usefulness of the Airport or constitute a hazard to aircraft. Lessee shall, upon approval by Lessor and prior to any construction of any nature within the boundaries of the Airport, prepare and submit to the Airport Manager and the Federal Aviation Administration, Albuquerque District Office, Airport Division, 1601 Randolph SE, Suite 201N, Albuquerque, NM, 87106, one executed set (four copies) of FAA form 7460-1 "Notice of Proposed Construction or Alterations", as required by Federal Aviation Regulation Part 77. This notice must be submitted at least thirty days prior to the date of the proposed construction/alteration or the date that an application for a construction permit is filed, whichever is earlier.

B. Should a Federal Aviation Administration Obstruction Evaluation

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

26. SIGNS

Lessee shall not erect or mount any signs on the Premises without approval of the Airport Manager.

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. ATTORNEYS FEES AND COSTS

If suit is brought by either the Lessor or the Lessee to enforce any provision of this Lease Agreement, the prevailing party shall be entitled to recover from the non-prevailing party in such lawsuit all costs of preparation for and conduct of such lawsuit, including reasonable attorneys' fees.

29. CHOICE OF LAW

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

30. APPROVALS, CONSENTS AND NOTICES

Any approvals, consents and/or 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:

Cielo Azul De Santa Fe, LLC
5619 Mariola Place NE
Albuquerque, NM 87111-8332

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.

31. ARTICLE HEADINGS

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

32. INVALID PROVISIONS

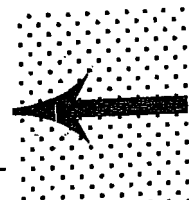
In the event any covenant, condition or provision contained in this Lease Agreement is held to be invalid by any court of competent jurisdiction, the invalidity of any such covenant, conditions or provisions contained in this Lease Agreement shall not affect the enforceability of the balance of this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

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

**LESSOR:
CITY OF SANTA FE:**

David Coss, Mayor

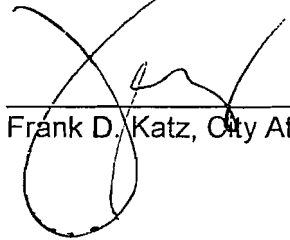
Date: _____



ATTEST:

Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:



Frank D. Katz, City Attorney

LESSEE:

By: _____
(Name and Title)

Date: _____

ACKNOWLEDGMENT

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

Subscribed and Acknowledged before me this ____ day of _____,
2008 by _____.

Notary Public

My Commission Expires:

EXHIBIT A

A CERTAIN LEASE PARCEL, CONSISTING OF 3.27 ACRES (142,409 SQUARE FEET) MORE OR LESS, AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS ON THE FOLLOWING PAGES.

DESCRIPTION LOT 3A

A certain lease parcel, designated as lot 3a, within the Santa Fe Municipal Airport Property, within Section 15, T16N, R8E, NMPM, Santa Fe County, New Mexico and being more particularlly described by metes and bounds as follows:

Beginning at a capped rebar "7014/13054" to be set, from whence Santair bears NSn21°46'02"E, 1276.50 feet, thence from said point of beginning, S54°56'47"E, 6.77 feet to a capped rebar "7014/13054" set;
Thence N35°02'01"E, 150.49 feet to a capped rebar "7014/13054" found;
Thence S54°59'31"E, 193.23 feet to a calculated point, from whence a witness corner, a capped rebar "10277" bears S54°59'31"E, 7.26 feet;
Thence S35°02'01"W, 725.39 feet to a capped rebar "7014/13054" set;
Thence N54°56'47"W, 192.00 feet to a capped rebar "7014/13054" set;
Thence N35°02'01"E, 204.39 feet;
Thence N54°57'59"W, 8.00 feet to a capped rebar "7014/13054" set;
Thence N35°02'01"E, 370.39 feet to the said point of beginning. Containing 3.27 acres (142409 square feet) more or less.

All as shown on exhibit "A" attached hereto.

**EXHIBIT B
SITE PLAN**

