

SAN ANTONIO INTERNATIONAL AIRPORT LEASE

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This San Antonio International Airport Lease (hereinafter "Lease", "Agreement" or "Lease Agreement") is entered into by and between the **City Of San Antonio** ("Lessor" or "City"), a Texas home-rule municipal corporation, acting by and through its Aviation Director pursuant to Ordinance No. 2011-03-03-0173, and **M7 Aerospace, LLC**, a Delaware limited liability company ("Lessee"), acting by and through its duly authorized officer. The initial addresses of the parties are as follows:

<u>Lessor</u>	<u>Lessee</u>
Aviation Director	Gary G. Goodwin
City of San Antonio	M7 Aerospace LLC
9800 Airport Blvd.	10823 NE Entrance Road
San Antonio, Texas 78216	San Antonio, TX 78216

WHEREAS, Lessee has requested approval of the Aviation Director to enter into this Lease for a term of one year for the Leased Premises as set forth herein; **NOW THEREFORE:**

Lessor and Lessee for and in consideration of the mutual covenants and promises herein expressed do hereby agree as follows:

ARTICLE 1. DEFINITIONS

As used herein, the following words and phrases shall have the meanings set forth below:

- 1.1. "Affiliate" means any corporation or other entity which directly or indirectly controls or is directly or indirectly controlled by or is under common control with Lessee; "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities or by contract or otherwise.
- 1.2. "Airport" means San Antonio International Airport.
- 1.3. "Aviation Director" means the Aviation Director of the City of San Antonio or his designee.
- 1.4. "Commencement Date" is defined in **Article 5 – Lease Term**.
- 1.5. "DOT" means the United States Department of Transportation, and any federal agency succeeding to its jurisdiction.

1.6. "FAA" means the Federal Aviation Administration of the United States government, and any federal agency succeeding to its jurisdiction.

1.7. "Lease Year" means any successive twelve (12) month period commencing on the anniversary date of the Commencement Date.

1.8. "Leased Premises" means those certain premises at Airport more particularly described in **Article 2 – Description of Leased Premises**.

1.9. "Sign" means any advertising sign, billboard, identification sign or symbol, or other similar device, regardless of content.

1.10. "Subsidiary" means any corporation or other entity not less than fifty percent (50%) of whose outstanding stock (or other form of equity ownership) shall, at the time, be owned directly or indirectly by Lessee or the entity owning directly or indirectly 50% or more of Lessee, as applicable.

1.11. "Trade Fixtures" means, but shall not be limited to, any signs (electrical or otherwise) used to identify Lessee's business; all shelves, bins, racking, machinery and equipment used in connection with Lessee's required or permitted activities pursuant to this Lease Agreement, whether or not such machinery or equipment is bolted or otherwise attached to the Leased Premises; and all other miscellaneous office equipment, furnishings, and personal property of Lessee.

ARTICLE 2. DESCRIPTION OF LEASED PREMISES

Lessor, for and in consideration of the rents, covenants and promises herein contained to be kept, performed and observed by Lessee, does hereby lease unto Lessee, and Lessee does hereby accept from Lessor, the following property (hereinafter the "Leased Premises") located within San Antonio International Airport in San Antonio, Bexar County, Texas, and more specifically shown in **Exhibit 1** attached hereto and made a part of this Lease Agreement:

*Hangar 4, first floor only, and associated Ground Space, consisting of 40,814 square feet;
parking spaces consisting of 972 square feet*

The second floor of the above mentioned Hangar 4 is not made a part of and is explicitly excluded from the Leased Premises. Lessee shall have no right to access or enter the second floor of Hangar 4.

ARTICLE 3. RENT

3.1 Lessee agrees to pay Lessor as rental the amount indicated in the table below for use and occupancy of the Leased Premises, at the times and in the manner hereinafter provided. All rentals shall be calculated on an annual basis and shall be paid by Lessee to Lessor in advance without invoicing, notice or demand, in equal monthly installments on or before the first day of each calendar month beginning on the Commencement Date and continuing throughout the remainder of the term of this Lease Agreement and any extension(s) hereof. Rental payments shall be in the full monthly amount; however, rental payments for the first and last months of the lease term, if for less than a full month, shall be prorated.

Leased Premises	Area (Sq. Ft.)	Annual Rate (Sq. Ft.)	Annual Rental	Monthly Rental
Ground Lease	40,814	\$0.40	\$16,325.60	\$1,360.47
Hangar 4	40,814	\$3.07	\$125,298.98	\$10,441.58
Parking Spaces	972	\$0.40	\$388.80	\$32.40
TOTAL RENTAL			\$142,013.38	\$11,834.45

3.2 Fees and charges for miscellaneous items and services, including, but not limited to, employee badges, parking charges, airfield driver's and security classes, personal property storage, shall be agreed to, in writing, by the parties hereto or be assessed by City Ordinance, in connection with the ordinary usage of Airport facilities.

3.3 All rentals and payments that become due and payable by the Lessee shall be made to the City of San Antonio, Office of the Aviation Director, San Antonio International Airport, 457 Sandau Road, San Antonio, Bexar County, Texas, 78216 unless otherwise notified in writing. All rentals and payments unpaid for thirty (30) days after the date due shall bear interest at the rate of eighteen percent (18%) per annum from the due date; however, in no event shall the interest rate charged exceed the maximum amount allowable by law.

3.4 All rentals, fees and charges payable by Lessee to Lessor under the terms hereof, whether or not expressly denominated as rent, shall constitute rent for all purposes, including, but not limited to, purposes of the United States Bankruptcy Code.

ARTICLE 4. USE OF LEASED PREMISES

4.1 Lessee shall use the Leased Premises solely for the following aeronautical related activities: storage and maintenance of two (2) Casa 235 aircraft, and such other aircraft as the Aviation Director has approved in writing, and related office functions. No other activities shall be conducted on the Leased Premises unless authorized in writing by the Aviation Director.

ARTICLE 5. LEASE TERM

5.1 The term of this Lease Agreement shall be one (1) year and shall commence on the first day of the month following the passage of an Ordinance by the City Council of San Antonio approving this Lease Agreement ("Commencement Date") and shall terminate at midnight of the last day of the one-year term unless earlier terminated in accordance with this Lease Agreement. Notwithstanding anything to the contrary contained herein, Lessee shall occupy the Leased Premises under the terms and conditions of the Lease Agreement immediately upon passage of the Ordinance approving this Lease Agreement.

5.2 Notwithstanding the term set forth in Paragraph 5.1, so long as Lessee is not in default and is in full compliance with terms of this Lease Agreement, City, at its sole option, may extend the term of this Lease Agreement for one (1) additional year. The Director shall have the authority to exercise such option on behalf of the City without City Council action.

5.3 This Agreement may be terminated by either party upon provision of 60days advance written notice of termination to the nonterminating party.

ARTICLE 6. INDEMNIFICATION

6.1 LESSEE covenants and agrees to FULLY INDEMNIFY, DEFEND, and HOLD HARMLESS, the CITY and its elected and appointed officials, employees, officers, directors, volunteers and representatives of the CITY, individually or collectively, from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions, demands, causes of action, liability and suits of any kind and nature, including but not limited to, personal or bodily injury, death and property damage, made upon the CITY directly or indirectly arising out of, resulting from or related to LESSEE's activities under this LEASE, including any acts or omissions of LESSEE, any agent, officer, director, representative, employee, consultant or subcontractor of LESSEE, and their respective officers, agents, employees, directors and representatives while in the exercise of performance of the rights or duties under this LEASE. The indemnity provided for in this paragraph shall not apply to any liability resulting from the negligence of CITY, its officers or employees, in instances where such negligence causes personal injury, death, or property damage. IN THE EVENT LESSEE AND CITY ARE FOUND JOINTLY LIABLE BY A COURT OF COMPETENT JURISDICTION, LIABILITY SHALL BE APPORTIONED COMPARATIVELY IN ACCORDANCE WITH THE LAWS FOR THE STATE OF TEXAS, WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW.

6.2 The provision of this INDEMNITY are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. LESSEE shall advise the CITY in writing within 24 hours of any claim or demand against the CITY or LESSEE known to LESSEE related to or arising out of LESSEE's activities under this LEASE and shall see to the investigation and defense of such claim or demand at LESSEE's costs. The CITY shall have the right, at its option and at its own expense, to participate in such defense without relieving LESSEE of any of its obligations under this paragraph.

6.3 All personal property placed in the Leased Premises shall be at the sole risk of Lessee. City shall not be liable, and Lessee waives all claims for any damage either to the person or property of Lessee or to other persons: (i) due to the Leased Premises, or any part of appurtenances thereof, becoming out of repair; (ii) arising from bursting or leaking of water, gas, waste pipes, or defective wiring or excessive or deficient electrical current (unless caused by the sole negligence or willful misconduct of City or its elected officials, employees, officers, directors, volunteers and/or representatives); (iii) from any act or omission of employees, or other occupants of the Leased Premises, or any other persons; or (iv) due to the happening of any accident in or about the Leased Premises. Lessee shall save and hold harmless City from any claims arising out of damage to Lessee's property or damage to Lessee's business, including subrogation claims by Lessee's insurers.

ARTICLE 7. INSURANCE

7.1 Prior to occupancy of the Leased Premises and the conduct of any business thereupon, Lessee shall furnish copies of all required endorsements and completed Certificates of Insurance to the City's Aviation Department, which shall be clearly labeled "San Antonio International Airport Lease" in the Description of Operations block of the certificate. The

certificate(s) shall be completed by an agent and signed by a person authorized to bind coverage on its behalf. Lessor will not accept a Memorandum of Insurance or Binder as proof of insurance. The certificate(s) must have the agent's signature and phone number, and be mailed, with copies of all applicable endorsements, directly from the insurer's authorized representative to the City. The City shall have no duty to perform under this Lease until such certificate and endorsements have been received and approved by the City's Aviation Department. No officer or employee, other than the City's Risk Manager, shall have authority to waive this requirement.

7.2 The City reserves the right to review the insurance requirements of this Article during the effective period of this Lease and any extension or renewal hereof and to modify insurance coverages and their limits when deemed necessary and prudent by City's Risk Manager based upon changes in statutory law, court decisions, or circumstances surrounding this Lease. In no instance will City allow modification whereupon City may incur increased risk.

7.3 Lessee's financial integrity is of interest to the City; therefore, subject to Lessee's right to maintain reasonable deductibles in such amounts as are approved by the City, Lessee shall obtain and maintain in full force and effect for the duration of this Lease, and any extension hereof, at Lessee's sole expense, insurance coverage written on an occurrence basis, unless otherwise indicated, by companies authorized and admitted to do business in the State of Texas and with an A.M Best's rating of no less than A- (VII), in the following types and for an amount not less than the amount listed:

<u>Type</u>	<u>Amount</u>
(1) Worker's Compensation & Employer's Liability	Statutory \$1,000,000/\$1,000,000/\$1,000,000
(2) Broad Form Commercial General Liability Aviation Policy to include coverage for the following:	Bodily Injury and Property Damage of \$1,000,000 per occurrence; \$2,000,000 General Aggregate , or its equivalent in Umbrella or Excess Liability Coverage
a. Premises/Operations	
* b. Independent Contractors	
c. Products/Completed Operations	
d. Personal Injury	
e. Contractual Liability	
f. Broad Form Property Damage to Include Fire and Legal Liability	
(3) Property Insurance for physical damage to the property of Lessee, including improvements and betterments to the Leased Premises	Coverage for replacement value with a minimum co-insurance factor of eighty percent (80%) of the cost of Leased Premises
*(4) Automobile Liability (any auto)	Combined Single Limit for Bodily Injury and Property Damage of \$5,000,000 per occurrence or its equivalent.

* If applicable

** In the event third party aircraft are stored/maintained on the Leased Premises, a Hangar Keeper's Liability Endorsement will be required.

7.4 Lessee agrees to require, by written contract, that all subcontractors providing goods or services hereunder obtain the same insurance coverages required of Lessee herein, and provide a certificate of insurance and endorsement that names the Lessee and the City as additional insureds. Lessee shall provide the City with said certificate and endorsement prior to the commencement of any work by the subcontractor. This provision may be modified by City's Risk Manager, without subsequent City Council approval, when deemed necessary and prudent, based upon changes in statutory law, court decisions, or circumstances surrounding this agreement. Such modification may be enacted by letter signed by City's Risk Manager, which shall become a part of the contract for all purposes.

7.5 As they apply to the limits required by the City, the City shall be entitled, upon request and without expense, to receive copies of the policies, declaration page, and all endorsements thereto and may require the deletion, revision, or modification of particular policy terms, conditions, limitations, or exclusions (except where policy provisions are established by law or regulation binding upon either of the parties hereto or the underwriter of any such policies). Lessee shall be required to comply with any such requests and shall submit a copy of the replacement certificate of insurance to City at the address provided below within 10 days of the requested change. Lessee shall pay any costs incurred resulting from said changes.

City of San Antonio
Aviation Department
Attn: Aviation Director
9800 Airport Boulevard
San Antonio, Texas 78216-9990

7.6 Lessee agrees that with respect to the above required insurance, all insurance policies are to contain or be endorsed to contain the following provisions:

- Name the City, its officers, officials, employees, volunteers, and elected representatives as additional insureds by endorsement, as respects operations and activities of, or on behalf of, the named insured performed under contract with the City, with the exception of the workers' compensation and professional liability policies;
- Provide for an endorsement that the "other insurance" clause shall not apply to the City of San Antonio where the City is an additional insured shown on the policy;
- Workers' compensation, employers' liability, general liability and automobile liability policies will provide a waiver of subrogation in favor of the City.
- Provide advance written notice directly to City of any suspension, cancellation, non-renewal or material change in coverage, and not less than ten (10) calendar days advance notice for nonpayment of premium.

7.7 Within five (5) calendar days of a suspension, cancellation or non-renewal of coverage, Lessee shall provide a replacement Certificate of Insurance and applicable endorsements to City. City shall have the option to exercise all available remedies under the Lease, including, but not limited to, terminating Lessee's right of possession should there be a lapse in coverage at any time during this contract. Failure to provide and to maintain the required insurance shall constitute a material breach of this Lease.

7.8 In addition to any other remedies the City may have, upon Lessee's failure to provide and maintain any insurance or policy endorsements to the extent and within the time herein required, the City shall have the right to order Lessee to stop work hereunder, and/or withhold any payment(s) which become due to Lessee hereunder until Lessee demonstrates compliance with the requirements hereof.

7.9 Nothing herein contained shall be construed as limiting in any way the extent to which Lessee may be held responsible for payments of damages to persons or property resulting from Lessee's or its subcontractors' performance of the work covered under this Lease.

7.10 It is agreed that Lessee's insurance shall be deemed primary and non-contributory with respect to any insurance or self-insurance carried by the City of San Antonio for liability arising out of operations under this Agreement.

7.11 It is understood and agreed that the insurance required is in addition to and separate from any other obligation contained in this Lease and that no claim or action by or on behalf of the City shall be limited to insurance coverage provided.

7.12 Lessee and any subcontractors are responsible for all damage to their own equipment and/or property.

ARTICLE 8. PERFORMANCE GUARANTEE & LANDLORDS LIEN

8.1 Lessee shall deliver to the Aviation Director, on or before the execution of this Lease, and shall keep in force throughout the term hereof, a surety bond or an irrevocable standby letter of credit in favor of Lessor, drawn upon a bank satisfactory to Lessor and payable to City of San Antonio, Aviation Department ("Performance Guarantee"). The Performance Guarantee shall be in a form and content satisfactory to Lessor, shall be conditioned upon satisfactory performance of all terms, conditions and covenants contained herein during the term hereof and shall stand as security for payment by Lessee of all valid claims by Lessor hereunder. The initial amount of the Performance Guarantee for this Lease shall be **\$71,006.70**, that is, at least six (6) months rentals and fees due under this Lease. Said amount shall be adjusted, as necessary, so that it shall at all times equal, three (3) months rental and fees due under this Lease.

8.2 Lessee hereby gives to Lessor a lien upon all of its property now, or at any time hereafter, in or upon the Leased Premises, to secure the prompt payment of charges herein stipulated to be paid for the use of said Premises; all exemptions of such property, or any of it, being hereby waived.

8.3 Should Lessee provide an amount for the Performance Guarantee required by this Lease Agreement equal to the greater of the rentals, fees and charges payable by Lessee to

Lessor for the current calendar year, or double the amount of the Performance Guarantee set forth in **Section 8.1** above, then the provisions set forth in **Section 8.2** above, shall not apply hereto.

ARTICLE 9. ADJUSTMENT TO LEASED PREMISES

The parties hereto agree and recognize that the space in the hangars is in high demand and that Lessor must retain the right to allot such space in a manner deemed by Lessor, in its sole judgment, necessary to maximize the usage and allotment of such space. Accordingly, the parties agree that Lessor, acting by and through its Aviation Director and at his sole discretion, may recapture hangar space at any time during the term of the Lease Agreement if such space is necessary for airline and/or airport operational considerations. Lessor shall provide to Lessee at least sixty (60) days' advance written notice of the need for such recapture. In the event that Lessee shall request that hangar space leased hereunder be adjusted, reconfigured, enlarged or reduced, Lessor, acting by and through its Aviation Director in his sole discretion, may agree in writing to Lessee's request and adjust the rent due, subject to the terms and conditions of this Lease Agreement. Should any relocation, adjustment, reconfiguration, enlargement or reduction of the Leased Premises occur as set forth in this paragraph, then, and in such event, a writing shall be executed by and between Lessee and Lessor, acting through the Aviation Director, to reflect the terms and conditions relating thereto. Such writing, upon execution thereof by Lessee and the Aviation Director, shall be filed or recorded with the City Clerk and shall automatically become part of this Lease Agreement.

ARTICLE 10. PRIVILEGES AND CONDITIONS

10.1 Lessor hereby grants to Lessee the following general, non-exclusive privileges, uses and rights, subject to the terms, conditions and covenants herein set forth:

10.1.1 The general use by Lessee of all common Airport facilities and improvements, which are now, or may hereafter be, connected with or appurtenant to said Airport, except as hereinafter provided. "Common Airport facilities" shall include all necessary roadways, sidewalks, terminal facilities, restrooms and other common or public facilities appurtenant to said Airport.

10.1.2 The right of ingress to and egress from the Leased Premises, over and across common or public roadways serving the Airport for Lessee, its agents, servants, patrons, invitees, suppliers of service and furnishers of material. Said right shall be subject to such ordinances, rules and regulations as now, or may hereafter, apply at the Airport.

10.2 The granting and acceptance of this Lease Agreement is conditioned upon compliance with the covenant that the right to use said common Airport facilities, in common with others so authorized, shall be exercised subject to and in accordance with the laws of the United States, State of Texas and City of San Antonio, the rules and regulations promulgated by their authority with reference to aviation and navigation, and all reasonable and applicable rules, regulations and ordinances of Lessor, now in force or hereafter prescribed or promulgated by charter authority or by law.

10.3 Lessor reserves the right to enter the Leased Premises at any reasonable time upon notice to Lessee for the purpose of inspecting same or verifying that fire, safety, sanitation regulations and other provisions contained in this Lease Agreement are being adhered to by Lessee; however, notice to Lessee shall not be required for Lessor to enter the Leased

Premises in the event of an emergency.

ARTICLE 11. AS IS ACCEPTANCE AND CONDITION OF PREMISES

11.1 Lessee has had full opportunity to examine the Leased Premises. Except for environmental matters not caused by or reasonably discoverable by Lessee prior to the commencement of this Lease Agreement, Lessee's taking possession of the Leased Premises shall be conclusive evidence of Lessee's acceptance thereof in an "AS IS" condition, and Lessee hereby accepts same in its present condition as suitable for the purpose for which leased.

11.2 Lessee agrees that no representations respecting the condition of the Leased Premises and no promises to improve same, either before or after the execution hereof, have been made by Lessor or its agents to Lessee, unless contained herein or made a part hereof by specific reference.

ARTICLE 12. CONSTRUCTION

12.1 Lessee shall not perform or construct any alterations or improvements to the Lease Premises unless approved in writing by the Aviation Director. Before any such identified alterations or improvements are performed or constructed, the Parties shall reduce to a writing the terms for performing the alterations of improvements.

12.2 The cost of any renovations, construction, alterations or improvements upon the Leased Premises shall be borne and paid for solely by Lessee. Except as may be otherwise set forth herein, Lessor has no financial or other obligation of any kind under this Lease Agreement, other than the renting to Lessee of the premises which are the subject hereof for the term and consideration hereinbefore set forth.

ARTICLE 13. LIENS PROHIBITED

13.1 Lessee shall not suffer or permit any mechanics' or other liens to be filed against the fee of the Leased Premises, or against Lessee's leasehold interest in the land, buildings or improvements thereon, by reason of any work, labor, services or materials supplied, or claimed to have been supplied, to Lessee or to anyone holding the Leased Premises, or any part thereof, through or under Lessee.

13.2 If any such mechanics' lien or materialmen's lien described in **Article 13.1** above shall be recorded against the Leased Premises, or any improvements thereon, Lessee shall cause the same to be removed or, bonded around pursuant to the terms of the Texas Property Code. In the alternative, if Lessee, in good faith, desires to contest the same, it shall be privileged to do so; however, in such case, Lessee hereby agrees to indemnify and save Lessor harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure on said mechanics' lien, cause the same to be discharged and removed prior to sale of the property or execution of such judgment.

ARTICLE 14. MAINTENANCE AND REPAIR

14.1 Lessee shall pay or cause to be paid, any and all charges for water, heat, gas, electricity, sewer and any and all other utilities used on the Leased Premises (excluding telecommunication services, cable and satellite services), throughout the term of, or any

extension of, this Lease Agreement, including, but not limited to, any connection fees and any and all additional costs related to utility connection, metering, maintenance, repair and usage.

14.2 Except as may otherwise be provided herein, Lessee shall, throughout the term of this Lease Agreement and any extension hereof:

14.2.1 at all times reasonably maintain the Leased Premises in a good state of repair and preservation, excepting ordinary wear and tear and obsolescence in spite of repair; and

14.2.2 at all times keep the Leased Premises, its buildings, improvements, Trade Fixtures, equipment and personal property, in a clean and orderly condition and appearance; and

14.2.3 replace broken or cracked plate glass upon the Leased Premises and, where applicable, mow the grass; and

14.2.4 repair any damage caused by Lessee to the Leased Premises or the Airport, in connection with the scope of the Lease Agreement and/or caused by any oil, gasoline, grease, lubricants, flammable liquids and/or substances having a corrosive or detrimental effect thereon and released by Lessee, and

14.2.5 keep and maintain all vehicles and equipment operated by Lessee on the Airport in safe condition, good repair and insured, as required by this Lease Agreement; and

14.2.6 provide and use suitable covered metal receptacles for all garbage, trash and other refuse; assure that boxes, cartons, barrels or similar items are not piled in an unsightly, unsafe manner, on or about the Leased Premises; provide a complete and proper arrangement, satisfactory to the Aviation Director, for the adequate sanitary handling and disposal away from the Airport, of all trash, garbage and refuse caused as a result of Lessee's activities.

14.2.7 furnish janitorial service for the Leased Premises, keeping them in a neat, orderly, sanitary and presentable condition, free of trash, rubbish or other debris. Lessee shall remove, at Lessee's own expense, from all Leased Premises all waste, garbage and rubbish and agrees not to deposit same on any part of Airport, except that Lessee may deposit same temporarily on its Leased Premises or in space designated by City in connection with collection for removal.

14.3 The adequacy of the performance of the foregoing maintenance and repair by Lessee shall be determined by the Aviation Director, whose reasonably exercised judgment shall be conclusive. Lessor shall not require Lessee to improve the Premises. The maintenance and repair obligations of Lessee shall be limited to maintaining the Premises in its condition as of the date of execution of this Agreement, less ordinary wear and tear. Should Lessee refuse or neglect to undertake any such maintenance or repair, or if Lessor is required to perform any maintenance or repair necessitated by the negligent acts or omissions of Lessee, its employees, agents, assignees, subtenants or licensees, then Lessor shall have the right, but not the obligation, to perform such maintenance or repair on behalf of and for Lessee. The costs of such maintenance or repair, plus a fifteen percent (15%) overhead charge, shall be reimbursed by Lessee to Lessor no later than ten (10) days following receipt by Lessee of written demand from Lessor for same. In cases not involving maintenance or repair requiring

exigent action, Lessor shall provide Lessee a written request that Lessee perform such maintenance or repair, at least thirty (30) days before Lessor effects such maintenance or repair on behalf of Lessee.

ARTICLE 15. TITLE

It is expressly understood and agreed that any and all items of personal property owned, placed or maintained by Lessee on the Leased Premises during the term hereof shall be and remain Lessee's property. Provided that Lessee is not in default under this Lease Agreement, it may remove or cause to be removed all such items from the Leased Premises; however, Lessee, at its own expense, shall leave, repair, and/or restore the Leased Premises to the same or better condition as prior to the installation of Lessee's personal property bolted, attached, or otherwise affixed to the Leased Premises. Restrictions on removal of personal property shall not apply to property owned by Lessee's customers. At Lessor's sole election, any personal property items remaining on the Leased Premises upon expiration of the term hereof or termination of the Lease Agreement, shall then belong to Lessor without payment of consideration therefore, and Lessor may dispose of any and all such personal property items in its sole discretion, without notice to Lessee.

ARTICLE 16. ENVIRONMENTAL COMPLIANCE

16.1 Lessee shall, in conducting any activity or business on the Leased Premises, including environmental response or remedial activities, comply with all environmental laws, including, but not limited to, those regarding the generation, storage, use, transportation and disposal of solid wastes, hazardous materials, toxic chemicals, special wastes or other contaminants, and all laws, regulations and notice requirements pertaining to releases or threatened releases of hazardous materials, toxic chemicals, special wastes or other contaminants into the environment. Lessee shall not cause the release, or permit its employees, agents, permittees, contractors, subcontractors, sublessees, or others in Lessee's control, supervision, or employment, to release (whether by way of uncapping, pouring, spilling, spraying, spreading, attaching or otherwise), into or onto the Leased Premises or any other location upon or above the Airport (including the air, ground and ground water thereunder and the sewer and storm water drainage systems thereon), any quantity of hazardous substances (as defined or established from time to time by applicable local, state, or federal law and including, among other things, hazardous waste and any other substances that have been or may in the future be determined to be toxic, hazardous or unsafe). To the extent any such release may exceed quantities or volumes permitted by applicable federal, Texas or local law, Lessee shall immediately notify the Aviation Director, TCEQ, and Local Emergency Planning Committee, as may be required under the federal Emergency Planning and Community Right To Know Act. The Lessee, or any occupant of Leased Premises, shall be responsible for compliance with said Act, in the event of any such release.

16.2 Lessee shall remedy any release or threatened release caused by Lessee's operations at the Airport, as described above and, whether resulting from such release or otherwise, remove any hazardous materials, special wastes and any other environmental contamination caused by Lessee on, under or upon the Leased Premises, as may be required by a governmental or regulatory agency responsible for enforcing environmental laws and regulations. Such work shall be performed, at Lessee's sole expense, after Lessee submits to Lessor a written plan for completing such work. Lessor shall have the right to review and inspect all such work at any time, using consultants and representatives of its choice, at Lessor's sole cost and expense. Specific cleanup levels for any environmental remedial work

shall be designed to meet all of the applicable environmental laws and regulations, to the satisfaction of the appropriate government or regulatory agency responsible for enforcing environmental laws and regulations.

16.3 Lessee agrees to defend, indemnify and hold harmless Lessor, its elected and appointed officials, officers, directors, volunteers, agents, employees, and representatives from and against any and all reasonable losses, claims, liability, damages, injunctive relief, injuries to person, property or natural resources, costs, expenses, enforcement actions, actions or causes of action, fines and penalties, arising as a result of action or inaction of Lessee, its employees, agents or contractors, in connection with the release, threatened release or presence of any hazardous material, contaminants, or toxic chemicals at, on, under, over or upon the Leased Premises and Airport, whether or not foreseeable, regardless of the source or timing of occurrence, release, threatened release, presence or discovery of same. The foregoing indemnity includes, without limitation, all reasonable costs at law or in equity for removal, clean-up, remediation and disposal of any kind, as well as all reasonable costs associated with determining whether the Airport is in compliance, and causing the Airport to be in compliance with, all applicable environmental laws and regulations and all reasonable costs associated with claims for damages to persons, property or natural resources. In the event that Lessor is named in any enforcement action or lawsuit by any party in connection with the environmental condition of the Leased Premises caused by the action or inaction of the Lessee, Lessee shall defend Lessor and indemnify and hold harmless Lessor from any reasonable costs, damages, fines and penalties resulting therefrom.

16.4 In addition to any other rights of access herein regarding the Leased Premises, Lessor shall, upon reasonable notice, have access thereto in order to inspect and confirm that the Lessee is using same in accordance with all applicable environmental laws and regulations.

16.5 Lessee, at Lessor's request, shall make available for inspection and copying, upon reasonable notice and at reasonable times, any or all of the non-privileged documents and materials Lessee has prepared pursuant to any environmental law or regulation, which may be retained by Lessor or submitted to any governmental regulatory agency; provided, such documents and materials relate to environmental regulatory compliance and pertain to the Airport or the Leased Premises. If any environmental law or regulation requires Lessee to file any notice or report of a release or threatened release of regulated materials on, under or about the Leased Premises or the Airport, Lessee shall promptly submit such notice or report to the appropriate governmental agency and simultaneously provide a copy of such report or notice to Lessor. In the event that any written allegation, claim, demand, action or notice is made against Lessee regarding Lessee's failure or alleged failure to comply with any environmental law or regulation, Lessee, as soon as practicable, shall notify Lessor in writing and provide same with copies of any such written allegations, claims, demands, notices or actions so made.

16.6 The parties to this Lease Agreement, including the tenants or sublessees who may enjoy a future right of occupation through Lessee, acknowledge a right and a duty in Lessor, exercised by the Aviation Director, to review safety and potential environmental impacts of any proposed operation, business, maintenance or other activity of the Lessee and its sublessees. To this end, the Aviation Director shall have authority to disapprove an activity of the Lessee

and/or any sublessee, on the basis of a risk assessment. The parties understand that Airport premises are not intended for use involving refining, processing, manufacturing, maintenance, overhaul, or similar heavy industrial activities entailing use, storage, manufacture, or transport of critical volumes of regulated or hazardous materials or toxic chemicals. For purposes of this Lease Agreement, "critical volumes" are those which, in the sole discretion and judgment of the Aviation Director, pose or may pose an unreasonable risk to Airport property, its occupants, employees or the traveling public. Discretion and judgment are reserved to the Aviation Director due to the fact that combinations and proximity of such materials are synergistic. The Aviation Director's decision in this regard is final, and said Director shall exercise such review prior to any lease or sublease, from time to time, as he may deem necessary for appropriate risk assessment of existing leases and subleases.

16.7 Notwithstanding any of the preceding provisions of this Article 16, Lessee shall not be responsible for environmental damages caused by third parties prior or subsequent to Lessee's present or previous tenancies at the Airport. Lessee shall remain fully and solely liable for any environmental damage caused by Lessee, its parent and/or predecessor/affiliates, or any agent, officer, director, representative, licensee, consultant, contractor or subcontractor of Lessee, to the Leased Premises. However, the parties agree, that Lessor shall hold Lessee harmless for any environmental contamination, and that the indemnification provisions of Section 16.3 shall not apply, unless the Lessor can prove to a reasonable degree of certainty that any environmental damage upon the Leased Premises was caused by Lessee, its parent and/or predecessors/affiliates or any agent officer, director, representative, licensee, consultant, contractor or subcontractor of Lessee. Only upon establishment of such proof shall the indemnification provisions of Section 16.3 apply.

ARTICLE 17. SIGNS

Lessee shall neither erect signs nor distribute advertising matter upon Airport premises, without the prior written consent of the Aviation Director.

ARTICLE 18. REGULATIONS

Lessee's officers, agents, employees and servants shall obey all rules and regulations promulgated by Lessor, its authorized agents in charge of the Airport, or other lawful authority, to insure the safe and orderly conduct of operations and traffic thereon.

ARTICLE 19. QUALITY OF SERVICES

Lessee shall, at all times, furnish good, prompt and efficient services, adequate to meet demand for same at the Airport, furnish said services on a non-discriminatory basis to all users thereof, and charge non-discriminatory prices for each unit of sale or service; provided, however, that Lessee will be allowed to make reasonable and non-discriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

ARTICLE 20. TIME OF EMERGENCY

During time of war or national emergency, Lessor shall have the right to lease the landing area or any part thereof to the United States for government use, and, if such lease is executed, the provisions of this Lease Agreement, insofar as they are inconsistent with those of the Government lease, shall be suspended.

ARTICLE 21. SUBORDINATION OF LEASE & RIGHT OF RECAPTURE

21.1 This Lease Agreement shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States of America, to include any federal agencies, regarding 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 funds for the development of the Airport. Should the effect of such agreement with the United States be to take any of the property under lease, or substantially alter or destroy the commercial value of the leasehold interest granted herein, Lessor shall not be held liable therefore, but, in such event, Lessee may cancel this Lease Agreement upon ten (10) days' written notice to Lessor. Notwithstanding the foregoing, Lessor agrees that, in the event it becomes aware of any such proposed or pending agreement or taking, Lessor shall utilize its best efforts to give the maximum possible notice thereof to Lessee. Any portion of the Leased Premises recaptured from Lessee under this provision shall result in a proportionate abatement of rent as of the date the recapture is effectuated.

21.2 Lessor shall have the right to recapture any or all of the Leased Premises to the extent that such are necessary for the City's development, improvement, and or maintenance of the Airport's runways and taxiways; for protection or enhancement of flight operations; or for other development in compliance with any current or future Airport Master Plan. In the event of any such recapture, Lessee and Lessor shall execute a writing reflecting a corresponding adjustment to the Leased Premises and rent. If Lessee is required to relocate to other Airport premises pursuant to this **Article 21**, Lessor shall assist Lessee to identify other substitute premises on the Airport, if available. Lessor shall assist Lessee with relocation costs without impact to the rental terms of this Lease Agreement.

ARTICLE 22. SECURITY

22.1 Lessee shall provide for the security of the Air Operations Area (hereinafter "A.O.A.") and/or Security Identification Display Area (hereinafter "S.I.D.A.") to prevent entry or movement of unauthorized persons thereupon, in accordance with Chapter 3 of the City Code of San Antonio, Texas, as currently written, or as amended or replaced in the future. In appropriate cases, physical barriers to prevent access to the A.O.A. and/or the S.I.D.A. must be placed and supervised by Lessee during construction upon the Leased Premises.

22.2 Lessee shall comply with all rules, regulations, statutes, orders, directives or other mandates of the United States, to include any federal agencies, the State of Texas, and/or the City regarding Airport security requirements or measures.

22.3 Lessee shall comply with all current and future mandates of the Transportation Security Administration, or successor agency.

22.4 Lessee shall indemnify and hold harmless Lessor, its officers and employees from any charges, fines or penalties that may be assessed or levied by any department or agency of the United States or State of Texas, by reason of Lessee's failure to comply with any applicable security provision and/or requirement for compliance set forth herein.

ARTICLE 23. DEFAULT AND REMEDIES

23.1 Each of the following shall constitute an event of default by Lessee:

23.1.1. Lessee shall fail to pay any rent as provided for in this Lease Agreement and such failure shall continue for a period of ten (10) days after receipt by Lessee of written notice thereof.

23.1.2 Lessee shall neglect or fail to perform or observe any of the terms, provisions, conditions or covenants herein contained, and if such neglect or failure should continue for a period of thirty (30) days after receipt by Lessee of written notice of same, or if more than thirty (30) days shall be required because of the nature of the default, if Lessee shall fail within said thirty (30) day period to commence and thereafter diligently proceed to cure such default.

23.1.3 Lessee shall become insolvent; take the benefit of any present or future insolvency statute; make a general assignment for the benefit of creditors; file a voluntary petition in bankruptcy or a petition or answer seeking a reorganization or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state thereof; or consent to the appointment of a receiver, trustee or liquidator of all or substantially all of its property.

23.1.4 An Order of Relief shall be entered, at the request of Lessee or any of its creditors, under federal bankruptcy laws or any law or statute of the United States or any state thereof.

23.1.5 A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency law or statute, shall be filed against Lessee and shall not be dismissed within thirty (30) days after the filing thereof.

23.1.6 Pursuant to, or under the authority of, any legislative act, resolution, rule, or any court, governmental, agency or board order or decree or officer, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of Lessee and such possession or control shall continue in effect for a period of fifteen (15) days.

23.1.7 Lessee shall become a corporation in dissolution or voluntarily or involuntarily forfeit its corporate charter.

23.1.8 The rights of Lessee hereunder shall be transferred to, pass to or devolve upon, by operations of law or otherwise, any other person, firm, corporation or other entity, in connection with or as a result of any bankruptcy, insolvency, trusteeship, liquidation, receivership, or other proceeding or occurrence described in **Paragraphs 23.1.3 through 23.1.7** of this **Article 23**.

23.1.9 Lessee shall voluntarily discontinue its operations at the Airport for a period of sixty (60) consecutive days.

23.2 In the event any default shall occur, Lessor then, or at any time thereafter, but prior to the removal of such condition of default, shall have the right, at its election, to terminate Lessee's right of possession of the Leased Premises, by giving at least five (5) days' written

notice to Lessee, at which time Lessee will then quit and surrender the Leased Premises to Lessor, but Lessee's obligations under the Lease shall remain in full force and effect. At the expiration of said five (5) days' notice period, Lessor may enter upon and take possession of the Leased Premises (or any part thereof in the name of the whole), without demand or notice, and repossess the same as of the Lessor's former estate, expelling Lessee and those claiming under Lessee, forcibly if necessary, without prejudice to any remedy for arrears of rent or preceding breach of covenant and without any liability to Lessee or those claiming under Lessee for such repossession.

23.3 Lessor's repossession of the Leased Premises shall not be construed as an election to terminate this Lease Agreement nor shall it cause a forfeiture of rents or other charges remaining to be paid during the balance of the term hereof, unless a written notice of such intention be given to Lessee, or unless such termination is decreed by a court of competent jurisdiction.

23.4 Upon repossession, Lessor shall have the right, at its election and whether or not this Lease Agreement shall be terminated, to relet the Leased Premises or any part thereof for such period(s), which may extend beyond the term hereof, at such rent and upon such other terms and conditions as Lessor may, in good faith, deem advisable. Notwithstanding any law or anything contained herein to the contrary, to the full extent permitted under applicable law, Lessee and Lessor agree that Lessor's duty to relet the Leased Premises or otherwise to mitigate damages hereunder shall be limited to those requirements set forth in the Texas Property Code, as amended. Lessor shall in no event be liable, and Lessee's liability shall not be affected or diminished whatsoever, for failure to relet the Leased Premises, or in the event the Leased Premises are relet, for failure to collect any rental under such reletting, so long as the Lessor uses objectively reasonable efforts to comply with said Texas Property Code. Lessor and Lessee agree that any such duty shall be satisfied and Lessor shall be deemed to have used objective reasonable efforts to re-let the Leased Premises and mitigate Lessor's damages by: (1) posting a "For Lease" sign on the Leased Premises; and (2) advising Lessor's leasing agent, if any, of the availability of the Leased Premises.

23.5 In the event that Lessor elects to relet, rentals received by same from such reletting shall be applied: first, to the payment of any indebtedness, other than rent due hereunder from Lessee under this Lease Agreement; second, to the payment of any cost of such reletting; third, to the payment of rent due and unpaid hereunder; and finally, the residue, if any, shall be held by Lessor and applied hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of rent hereunder, be less than the rent payable during that month by Lessee hereunder, then Lessee shall pay such deficiency to Lessor. Such deficiency shall be calculated and paid monthly. Lessee shall also pay to Lessor, as soon as ascertained, any costs and expenses incurred by Lessor in such reletting not covered by the rentals received from such reletting of the Leased Premises.

23.6 If Lessor shall terminate this Lease Agreement or take possession of the Leased Premises by reason of a condition of default, Lessee and those holding under Lessee, shall forthwith remove their goods and effects from the Leased Premises. If Lessee or any such claimant shall fail to effect such removal forthwith, Lessor may, without liability to Lessee or those claiming under Lessee, remove such goods and effects and store same for the account of Lessee or of the owner thereof at any place selected by Lessor, or, at Lessor's election, and upon giving thirty (30) days' written notice to Lessee of date, time and location of sale, Lessor may sell the same at public auction or private sale on such terms and conditions as to price, payment and otherwise, as Lessor in its sole discretion may deem advisable. If, in Lessor's

judgment, the cost of removing and storing, or of removing and selling any such goods and effects, exceeds the value thereof or the probable sale price thereof, as the case may be, Lessor shall have the right to dispose of such goods in any manner Lessor may deem advisable.

23.7 Lessee shall be responsible for all costs of removal, storage and sale, and Lessor shall have the right to reimburse the Airport Revenue Fund from the proceeds of any sale for all such costs paid or incurred by Lessor. If any surplus sale proceeds remain after such reimbursement, Lessor may deduct from such surplus any other sum due to Lessor hereunder and shall pay over to Lessee any remaining balance of such surplus sale proceeds.

23.8 If Lessor shall enter into and repossess the Leased Premises as a result of Lessee's default in the performance of any of the terms, covenants or conditions herein contained, then Lessee hereby covenants and agrees that it will not claim the right to redeem or re-enter the said Leased Premises to restore the operation of this Lease Agreement, and Lessee hereby waives the right to such redemption and re-entrance under any present or future law, and does hereby further, for any party claiming through or under Lessee, expressly waive its right, if any, to make payment of any sum or sums of rent, or otherwise, of which Lessee shall have made default under any of the covenants of the Lease Agreement and to claim any subrogation of the rights of Lessee under these presents, or any of the covenants thereof, by reason of such payment.

23.9 All rights and remedies of Lessor herein created or otherwise existing at law are cumulative, and the exercise of one or more rights or remedies shall not be taken to exclude or waive the right to the exercise of any other. All such rights and remedies may be exercised and enforced concurrently, whenever and as often as deemed desirable.

23.10 If proceedings shall, at any time, be commenced for recovery of possession, as aforesaid, and compromise or settlement shall be effected either before or after judgment whereby Lessee shall be permitted to retain possession of the Leased Premises, then such proceeding shall not constitute a waiver of any condition or agreement contained herein or of any subsequent breach thereof or to this Agreement.

23.11 Any amount paid or expense or liability incurred by Lessor for the account of Lessee may be deemed to be additional rental and the same may, at the option of Lessor, be added to any rent then due or thereafter falling due hereunder, including but not limited to attorney's fees and costs as set forth in **Article 32**.

ARTICLE 24. HOLDING OVER

Should Lessee hold over against Lessor's will, Lessee agrees to pay to Lessor, as monthly rent for the Leased Premises during such period of non-consensual holding over for each month of such tenancy, one hundred fifty percent (150%) of the Rental paid for the last month of the Lease Agreement term, plus all applicable fees and any other fees authorized by this Agreement and/or authorized by Ordinance. Lessee shall be liable to Lessor for all loss or damage resulting from such holding over against Lessor's will after the termination of this Lease Agreement, whether such loss or damage may be contemplated at such time or not. It is expressly agreed that acceptance of the foregoing rental by Lessor, in the event that Lessee fails or refuses to surrender possession, shall not operate to give Lessee any right to remain in possession beyond the period for which such amount has been paid nor shall it constitute a waiver by Lessor of its right to immediate possession thereafter. In the event that Title to any

buildings shall vest upon City at the end of the primary term, then Lessee shall also pay rent for such building at rental rates established by the Appraisal Process.

ARTICLE 25. ASSIGNMENT AND SUBLET

During the lease term, Lessee is not permitted to assign this Lease Agreement nor sublease any portion of the Leased Premises.

ARTICLE 26. DAMAGE OR DESTRUCTION OF LEASED PREMISES

26.1 In the event any Improvements on the Leased Premises are destroyed or damaged to the extent that they are unusable, Lessee shall have the election of repairing or reconstructing the Improvements substantially as they were immediately prior to such casualty, or in a new or modified design, or not to construct the Improvements. Lessee shall give the Director written notice of its election within sixty (60) days after the occurrence of such casualty. If the entirety or substantially all of the Improvements are damaged or destroyed and Lessee elects not to repair or reconstruct the damaged or destroyed Improvements within the sixty (60) day election period, the Director may terminate this Lease by written notice to Lessee given within sixty (60) days following expiration of Lessee's election period, whereupon (i) this Lease shall terminate and Lessee shall abandon the Leased Premises and (ii) the insurance proceeds covering the Improvements shall be paid to the owner of the Improvements as of the date of such damage or destruction (provided, however, Lessee shall have the right to retain there from its actual costs paid in making improvements to the damaged or destroyed Improvement). If such damage or destruction is to less than substantially all of the Improvements and Lessee elects not to repair or reconstruct the damaged or destroyed Improvements within the said 60-day period following such damage or destruction, then (i) this Lease shall be deemed modified (and the rentals hereunder adjusted) so as to terminate the Lease as to such Improvements, and (ii) the insurance proceeds covering the Improvements shall be paid to the owner of the Improvements as of the date of such damage or destruction (provided, however, Lessee shall have the right to retain there from its actual costs paid in making improvements to the damaged or destroyed Improvement). In the event of damage or destruction to any of the Improvements upon the Leased Premises, the City shall have no obligation to repair or rebuild the Improvements or any fixtures, equipment or other personal property installed by Lessee on the Leased Premises.

26.2 If Lessee elects to repair or reconstruct the Improvements, Lessee shall use its insurance proceeds from the policy covering the destroyed Improvements. If the insurance proceeds are not sufficient, Lessee agrees to pay the deficiency. If Lessee elects to repair or reconstruct, Lessee shall, at its expense, replace and repair any and all fixtures, equipment and other personal property necessary to properly and adequately continue its authorized activities on the Leased Premises. In no event shall Lessee be obligated to provide equipment and fixtures in excess of those existing prior to the damage or destruction. Lessee agrees that such work will be commenced and completed with due diligence.

26.3 Prior to any repair or reconstruction described above, Lessee shall submit plans and specifications to the Director for his written approval. Such repair or reconstruction shall be in accordance therewith. Any changes must be approved in writing by the Director.

ARTICLE 27. LAWS AND ORDINANCES

Lessee agrees to comply promptly with all laws, ordinances, orders and regulations, as amended from time to time, affecting the Leased Premises, including, but not limited to, those

related to its cleanliness, safety, operation, use and business operations. Lessee shall comply with all Federal and State regulations concerning its operation on the Airport and shall indemnify and hold harmless Lessor, its officers and employees, from any charges, fines or penalties that may be assessed or levied by any department or agency of the United States or the State of Texas, by reason of Lessee's failure to comply with the terms of this Article or with any other terms set forth in this Lease Agreement.

ARTICLE 28. TAXES AND LICENSES

Lessee shall, at its sole cost and expense, pay on or before their respective due dates, to the appropriate collecting authority, all Federal, State and local taxes and fees, which are now or may hereafter be levied upon the Lessee, Leased Premises, the business conducted thereon or upon any of Lessee's property used in connection therewith, including, but not limited to, any possessory interest taxes. Lessee shall also maintain, in current status, all Federal, State and local licenses and permits required for the operation of its business.

ARTICLE 29. NONDISCRIMINATION & AFFIRMATIVE ACTION REGULATIONS

29.1 Lessee, as a party to a contract with the City, understands and agrees to comply with the Non-Discrimination Policy of the City contained in Chapter 2, Article X of the City Code and further, shall not discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, veteran status, age or disability, unless exempted by state or federal law, or as otherwise established herein. As part of said compliance, Lessee shall adhere to Lessor's Non-Discrimination Policy in the solicitation, selection, hiring or commercial treatment of vendors, suppliers or commercial customers, further, Lessee shall not retaliate against any person for reporting instances of such discrimination.

29.2 Lessee agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates Lessee for the period during which Federal assistance is extended to the airport through the Airport Improvement Program. In cases where Federal assistance provides, or is in the form of personal property; real property of interest therein; structure or improvements thereon, this provision obligates the Lessee for the longer of the following periods: (a) the period during which the property is used by the City or Lessee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the City or Lessee retains ownership or possession of the property.

29.3 Lessee for itself, its heirs, representatives, successors and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained or otherwise operated on the Leased Premises, for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, that Lessee shall maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the attached List of Pertinent Nondiscrimination Acts and Authorities attached hereto as **Exhibit 2** (as may be amended), such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.

29.4 Lessee for itself, its representatives, successors and assigns, as a 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, creed, sex, age, religion, national origin or handicap, shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination, in the use of said facilities; (2) that 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, creed, sex, age, religion, national origin or handicap shall be excluded from participation, denied the benefits of, or otherwise be subjected to discrimination; and (3) that Lessee shall use the Leased Premises in compliance with all other requirements imposed by or pursuant to the attached List of Pertinent Nondiscrimination Acts and Authorities attached hereto as **Exhibit 2**.

29.5 In the event of breach of any of the above nondiscrimination covenants, City will have the right to terminate this Lease Agreement and to enter or re-enter and repossess said land and the facilities thereon, and hold the same as if this Lease Agreement had never been entered into.

ARTICLE 30. WAGES

Lessee shall pay at least the minimum wage, as required by Federal and State statutes and City ordinances, to employees of its operations hereunder.

ARTICLE 31. FORCE MAJEURE

If either party shall be delayed or prevented from the performance of any act required hereunder by reason of acts of God, strikes, lockouts, labor troubles, war, terrorism, inability to procure materials, restrictive governmental laws or regulations or other cause, without fault and beyond the control of the party obligated (the financial inability of the party excepted), performance of such act shall be extended by a period equal to the period of such delay; provided, however, that nothing in this paragraph shall excuse Lessee from the prompt payment of any rental except as may be expressly provided otherwise in this Lease; and further provided that the party relying on this paragraph shall provide written notice to the other party notifying such other party of the force majeure event promptly after such force majeure event, and shall proceed with all diligence to complete the performance of the act upon the cessation of the force majeure event.

ARTICLE 32. ATTORNEYS' FEES AND COSTS

In the event that either party to this Lease Agreement brings an action under this Lease Agreement, and prevails therein, it shall be entitled to recover from the non-prevailing party its reasonable attorneys' fees and court costs, including but not limited to constable and eviction fees and expenses, not to exceed the actual amount incurred in the defense or prosecution thereof.

ARTICLE 33. SEVERABILITY

If any clause or provision of this Lease Agreement is illegal, invalid or unenforceable under present or future laws, it is the parties' intention that the remainder hereof not be affected. In lieu of each clause or provision that is illegal, invalid or unenforceable, the parties intend that there be added, as a part of this Lease Agreement, a clause or provision, as similar in terms to such illegal, invalid or unenforceable clause or provision, as may be possible, yet be legal, valid and enforceable.

ARTICLE 34. AMENDMENT

This Lease Agreement, together with its authorizing ordinance, constitutes the entire agreement between the parties. No amendment, modification or alteration of the terms of this Lease Agreement shall be binding, unless the same be in writing, dated subsequent to the date hereof, and duly executed by the parties hereto.

ARTICLE 35. NOTICES

Notices to Lessor shall be deemed sufficient if in writing and sent, registered or certified mail, postage prepaid, addressed to City Clerk, P. O. Box 839966, San Antonio, Texas 78283-3966 and to Aviation Director, City of San Antonio, Department of Aviation, 9800 Airport Boulevard, San Antonio, Texas 78216, and to such other address as may be designated, in writing, by the Aviation Director from time to time. Notices to Lessee shall be deemed sufficient if in writing and sent, registered or certified mail, postage prepaid, or via private courier services such as United Parcel Service or FedEx, addressed to Lessee at the address shown herein. Either party to this Lease Agreement may change its address by giving notice of such change as herein provided.

ARTICLE 36. RELATIONSHIP OF PARTIES

Nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, partners, joint venturers or any other similar such relationship, between the parties hereto. It is understood and agreed that neither the method of computation of rent, nor any other provision contained herein, nor any acts of the parties hereto, creates a relationship other than one of Lessor and Lessee.

ARTICLE 37. CUMULATIVE REMEDIES NO WAIVER - NO ORAL CHANGE

The specific remedies of the parties under this Lease Agreement are cumulative and do not exclude any other remedies in law or equity, to which they may be lawfully entitled, in the event of a breach or threatened breach hereof. The failure of either party to insist upon the strict performance of any covenant of this Lease Agreement, or to exercise any option herein contained, shall not be construed as its future waiver or relinquishment thereof. Lessor's receipt of a rent payment, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach. Further, no waiver, change, modification or discharge by either party of any provision of this Lease Agreement shall be deemed to have been made or be effective, unless in writing and signed by the party to be charged. In addition to other remedies herein, the parties shall be entitled to an injunction restraining the violation, or attempted violation, of any of the covenants, conditions or provisions hereof, or to a decree compelling performance of same; subject, however, to other provisions herein.

ARTICLE 38. CONFLICT OF INTEREST

38.1 Lessee acknowledges that it is informed that the Charter of the City of San Antonio and its Ethics Code prohibit a City officer or employee, as those terms are defined in Section 2-52 of the Ethics Code, from having a financial interest in any contract with the City or any City agency such as city owned utilities. An officer or employee has a "prohibited financial interest" in a contract with the City or in the sale to the City of land, materials, supplies or service, if any of the

following individual(s) or entities is a party to the contract or sale: a City officer or employee; his parent, child or spouse; a business entity in which the officer or employee, or his parent, child or spouse owns ten (10) percent or more of the voting stock or shares of the business entity, or ten(10) percent or more of the fair market value of the business entity; a business entity in which any individual or entity above listed is a subcontractor on a City contract, a partner or a parent or subsidiary business entity.

38.2 Pursuant to the subsection above, Lessee warrants and certifies, and this contract is made in reliance thereon, that it, its officers, employees and agents are neither officers nor employees of the City. Lessee further warrants and certifies that is has tendered to the City a Discretionary Contracts Disclosure Statement in compliance with the City's Ethics Code.

ARTICLE 39. GENERAL PROVISIONS

39.1 Incorporation of Exhibits. All exhibits referred to in this Lease Agreement are intended to be and hereby are specifically made a part of this Lease Agreement.

39.2 Incorporation of Required Provisions. Lessor and Lessee incorporate herein by this reference all provisions lawfully required to be contained herein by any governmental body or agency.

39.3 Nonexclusive Rights. It is understood and agreed that nothing herein contained shall be construed to grant to Lessee any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act for the conduct of any activity on the Airport, except that, subject to the terms and provisions hereof, Lessee shall have the right to exclusive possession of the Leased Premises.

39.4 Removal of Disabled Aircraft. Lessee shall promptly remove any disabled aircraft that is in the care, custody, or control of Lessee from any part of the Airport (other than the Leased Premises), including, without limitation, runways, taxiways, aprons, and gate positions, and place any such disabled aircraft in such storage areas as may be designated by the Aviation Director. Except as to aircraft subject to bailment and/or for which Lessee is owed money from a customer, Lessee may store such disabled aircraft only for such length of time and on such terms and conditions as may be established by Lessor. If Lessee fails to remove any of disabled aircraft promptly, the Aviation Director may, but shall not be obligated to, cause the removal of such disabled aircraft; provided, however, the obligation to remove or store such disabled aircraft shall not be inconsistent with federal laws and regulations. Lessee agrees to reimburse Lessor for all costs of such removal and/or storage charges incurred by Lessor, and Lessee further hereby releases Lessor from any and all claims for damage to the disabled aircraft or otherwise arising from or in any way connected with such removal by Lessor unless caused by the negligence or recklessness of Lessor.

39.5 Airport Access License/Permit. Lessor reserves the right to establish a licensing or permit procedure for vehicles requiring access to the Airport operational areas and to levy directly against Lessee or its suppliers a reasonable regulatory or administrative charge to recover the cost of any such program for issuance of such Airport access license or permit.

39.6 Compliance with Part 77, Title 14 C.F.R. Lessee agrees to comply with the notification and review requirements covered in Part 77, Title 14, Code of Federal Regulations, FAA Regulations, in the event future construction of a building is planned for the Leased Premises,

or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises.

39.7 Reservations re: Airspace and Noise. There is hereby reserved to Lessor, its successors, and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Leased Premises.

39.8 Inspection of Books and Records. The Lessor, at its expense and on reasonable notice, shall have the right from time to time to inspect and copy the books, records, and other data of Lessee relating to the provisions and requirements hereof, provided such inspection is made during regular business hours.

39.9 Independent Contractor. Lessee is not an employee or agent of City by reason of this Lease Agreement, or otherwise. Lessee shall be solely responsible for its acts and omissions arising from or relating to its operations or activities at Airport, or lease of property herein.

39.10 Authority of Agreement. Lessee warrants and represents that it has the right, power, and legal capacity to enter into, and perform its obligations under this Lease Agreement, and no approvals or consents of any persons are necessary in connection with it. The execution, delivery, and performance of this Lease Agreement by the undersigned Lessee representatives have been duly authorized by all necessary corporate action of Lessee, and this Lease Agreement constitutes a legal, valid, and binding obligation of Lessee, enforceable in accordance with its terms.

39.11 Authority of the Aviation Director. The Aviation Director shall administer this Lease Agreement on behalf of Lessor. Whenever this Lease Agreement calls for approval by Lessor, such approval shall be evidenced, in writing, by either the Aviation Director or the City Manager of the City of San Antonio or his designee. In no event shall this language be considered a waiver by Lessee to object to decisions by the Aviation Director which it considers to be arbitrary, capricious or inconsistent with any express obligations to act reasonably set forth herein.

39.12 Consent. Whenever the consent or approval of either party hereto is required or authorized hereunder, such consent or approval shall not be unreasonably withheld, unreasonably conditioned, or unreasonably delayed.

39.13 Net Agreement. It is the intent and purpose of the City and Lessee that all rental payable by Lessee herein shall be absolutely net to the City so that this Lease Agreement shall yield to City the entire rent specified, in each year of this Lease Agreement, free of any charges, assessments, impositions or deductions of any kind or character which may be charged, assessed, or imposed on or against Lessee or the Leased Premises, without abatement, deduction or set-off by Lessee.

39.14 Noise Control. Lessee, for itself and each of its officers, representatives, agents, employees, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers shall not conduct any operation or activity on the Leased Premises, or elsewhere at Airport, in which the sound emitting therefrom is of such volume, frequency or intensity at such time as to constitute a nuisance. The Aviation Director shall have the sole and exclusive authority to determine what constitutes a nuisance under the provisions of this Lease Agreement except that operations and activities having noise levels not in violation of federal, State, or local governmental standards shall not be deemed a nuisance.

39.15 Time is of the Essence. Time shall be of the essence in complying with the terms, conditions and provisions of this Lease Agreement.

39.16 Vehicular and Equipment Parking. Vehicular and equipment parking in areas other than the Leased Premises by Lessee, its officers, representatives, agents, employees, guests, patrons, volunteers, contractors, subcontractors, licensees, suppliers or other invitees shall be restricted to such areas at Airport as are designated by the Airport Director.

39.17 Governmental Immunity. City does not waive any available governmental immunity or defenses under Texas law by entering into this agreement.

39.18 Quiet Enjoyment. Upon payment by Lessee of the rents, fees, and charges as herein required, and subject to performance and compliance by Lessee with the covenants, conditions, and agreements on the part of Lessee to be performed and complied with hereunder, Lessee shall peaceably have and enjoy the rights, uses, and privileges of the Leased Premises granted herein.

ARTICLE 40. PARTIES BOUND

This Lease Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns, as permitted hereby.

ARTICLE 41. TEXAS LAW TO APPLY

All obligations under this Lease Agreement are performable in Bexar County, Texas, and shall be construed pursuant to the laws of the State of Texas, except where state law shall be preempted by any rules, laws or regulations of the United States. If legal action, such as civil litigation, is necessary in connection with this Lease Agreement, exclusive venue shall lie in Bexar County, Texas.

ARTICLE 42. GENDER

Words of either gender used in this Lease Agreement shall be held and construed to include the other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

ARTICLE 43. CAPTIONS

The captions of the provisions contained herein are for convenience in reference and are not intended to define, extend or limit the scope of any provision of this Lease Agreement.

ARTICLE 44. ENTIRE AGREEMENT

This Lease Agreement comprises the final and entire agreement, including all terms and conditions thereof, between the parties hereto, and supersedes all other agreements, oral or otherwise, regarding the subject matter hereof, none of which shall hereafter be deemed to exist or to bind the parties hereto. The parties intend that neither shall be bound by any term, condition or representation not herein written.

IN WITNESS WHEREOF, the undersigned have duly executed this Lease Agreement as of the dates set forth below.

CITY/LESSOR:
CITY OF SAN ANTONIO

LESSEE:
M7 AEROSPACE LLC

By: _____
Noel T. Jones, Aviation Director

By: C. Blay _____

Title: CFO _____

Date: _____

Date: 2/2/17 _____

APPROVED AS TO FORM:

Assistant City Attorney

Exhibit 1
LEASED PREMISES

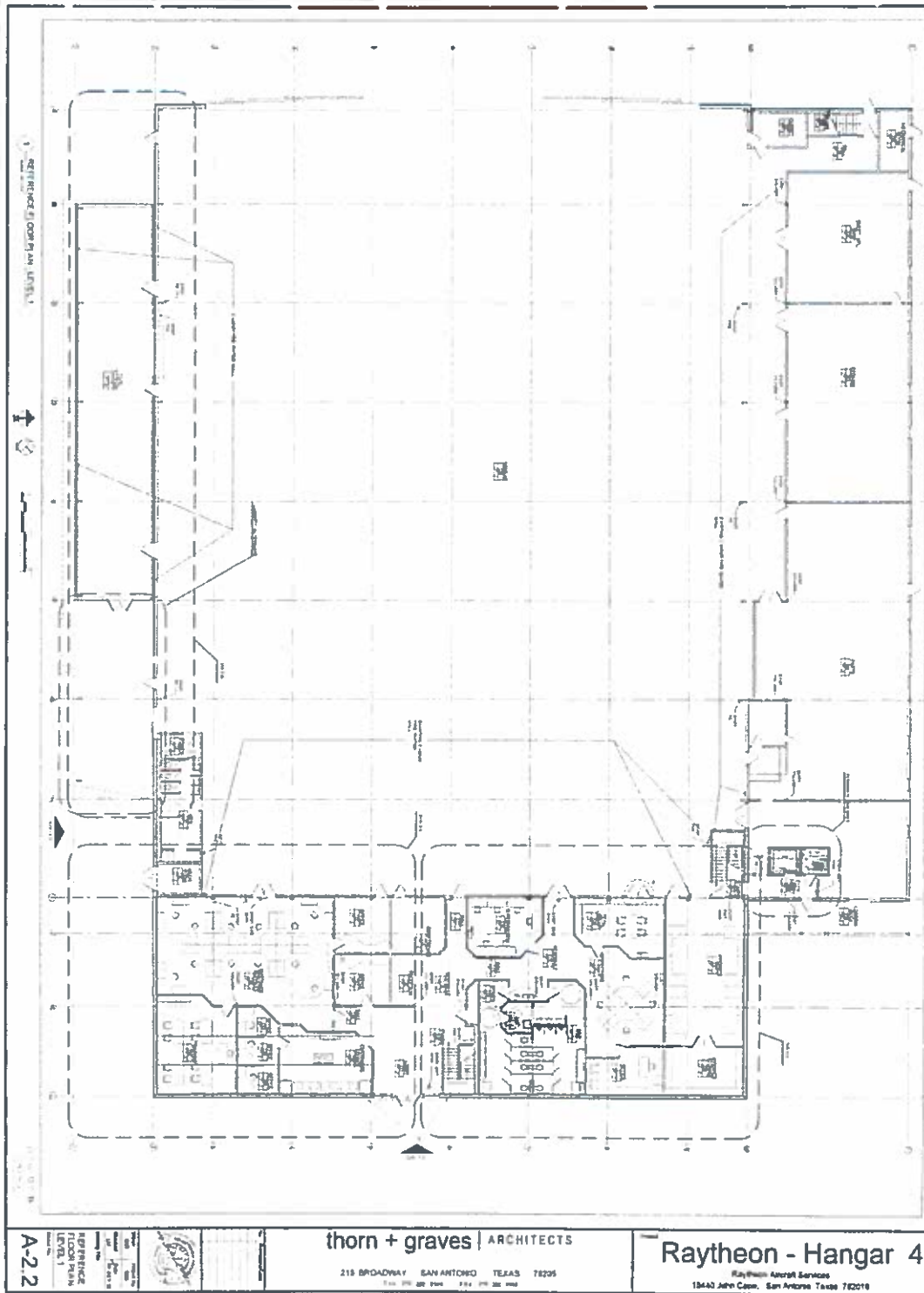


Exhibit 2
FAA REQUIRED CONTRACT PROVISIONS
Compliance with Nondiscrimination Requirements

During the performance of this Lease, Lessee, for itself, its assignees, and successors in interest (hereinafter referred to as the "Lessee") agrees as follows:

1. **Compliance with Regulations:** Lessee (hereinafter includes consultants) will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Lease.
2. **Non-discrimination:** Lessee, with regard to the work performed by it during the Lease, will not discriminate on the grounds of race, color, or national origin in the selection and retention of subcontractors, including procurements of materials and leases of equipment. Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 C.F.R. Part 21.
3. **Solicitations for Subcontracts, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be notified by Lessee of Lessee's obligations under this Lease and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.
4. **Information and Reports:** Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the City or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to the City or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of Lessee's noncompliance with the Non-discrimination provisions of this Lease, City will impose such contract sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to:
 - a. Withholding payments to the Lessee under the Lease until Lessee complies; and/or
 - b. Cancelling, terminating, or suspending the Lease, in whole or in part.

6. **Incorporation of Provisions:** Lessee will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. Lessee will take action with respect to any subcontract or procurement as the City or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if Lessee becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, Lessee may request the City to enter into any litigation to protect the interests of the City. In addition, Lessee may request the United States to enter into the litigation to protect the interests of the United States.

Federal Fair Labor Standard Act (Federal Minimum Wage)

All contracts and subcontracts that result from this solicitation shall incorporate by reference the provisions of 29 C.F.R. Part 201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers.

Lessee has full responsibility to monitor compliance to the referenced statute or regulation. Lessee must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

Occupational Safety and Health Act of 1970

All contracts and subcontracts that result from this solicitation shall incorporate by reference the requirements of 29 C.F.R. Part 1910 with the same force and effect as if given in full text. Lessee must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. Lessee retains full responsibility to monitor its compliance and their subcontractor's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 C.F.R. Part 1910). Lessee must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

Title VI List of Pertinent Nondiscrimination Acts and Authorities

During the performance of this contract, the contractor, for itself, its assignees, and successors in interest (hereinafter referred to as the "contractor") agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended,

- (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
 - Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
 - The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
 - Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;
 - The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
 - Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
 - Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
 - Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 *et seq.*)

IN WITNESS WHEREOF, the undersigned have duly executed this Lease Agreement as of the dates set forth below.

CITY/LESSOR:
CITY OF SAN ANTONIO

LESSEE:
M7 AEROSPACE LLC

By: _____
Noel T. Jones, Aviation Director

By: C. Slasf
Title: CFO

Date: _____

Date: 2/9/17

APPROVED AS TO FORM:

Assistant City Attorney

IN WITNESS WHEREOF, the undersigned have duly executed this Lease Agreement as of the dates set forth below.

CITY/LESSOR:
CITY OF SAN ANTONIO

LESSEE:
M7 AEROSPACE LLC

By: _____
Noel T. Jones, Aviation Director

By: CSJ _____
Title: CEO _____

Date: _____

Date: 2/9/17 _____

APPROVED AS TO FORM:

Assistant City Attorney

