

STINSON MUNICIPAL AIRPORT LEASE

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This Stinson Municipal Airport Lease (“Lease” or “Agreement”), entered into by and between the **City of San Antonio** (“Lessor” or “City”), a Texas municipal corporation, acting by and through its City Manager, pursuant to Ordinance No. _____, and **Alamo Helicopter Tours San Antonio, LLC** (“Lessee”), a Texas Limited Liability Company duly authorized to do business in Texas, acting by and through its designated officers pursuant to its bylaws or a resolution of its Board of Directors.

Notices required by this Lease Agreement to be given by one party to the other shall be in writing and sent by (i) United States certified, or express mail, postage prepaid, (ii) recognized national courier (such as FedEx, UPS, DHL), (iii) personal delivery, (iv) facsimile transmission, to the addresses listed below, or such other addresses as the parties may designate in writing. Service of process must be made in accordance with state law.

If to Lessor

City of San Antonio

Attn: Aviation Director
9800 Airport Blvd.
San Antonio, TX 78216

If to Lessee

Alamo Helicopter Tours San Antonio, LLC

Attn: Jose and Betty Corona
8535 Mission Road, Suite 104
San Antonio, TX 78214

ARTICLE I. DESCRIPTION OF PREMISES DEMISED

1.1 Lessor, for an in consideration of the rents, covenants and promises herein contained to be kept, performed and observed by Lessee, does hereby demise and lease unto Lessee and Lessee does hereby accept from Lessor the following premises (hereinafter referred to as the “Leased Premises”) located at the Stinson Municipal Airport (hereinafter called “Airport” or “Stinson”), in San Antonio, Bexar County, Texas, as identified in **Exhibit 1**, attached hereto and incorporated herein:

Suite 104 inside the Airport Terminal Building, comprised of 416 square feet of office space, and Suite 103 inside the Airport Terminal Building, comprised of 154 square feet of office space; both suites being located at 8535 Mission Road, San Antonio, TX 78214.

ARTICLE II. RENTAL

2.1 Lessee agrees to pay City as rental the amounts indicated on the table below, without notice or demand, both of which are expressly waived, for the 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 City 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 term of this Lease Agreement and any extension(s) hereof. In the event that the term of this Lease shall commence on a day other than the first day of any calendar month or expire on a day other than the last day of a calendar month, then, and in such event, rental installments will be prorated for the first or last month as the case may be.

<u>Leased Premises</u>	<u>Sq. Ft.</u>	<u>Annual Rate Per Sq. Ft.</u>	<u>Annual Rental</u>	<u>Monthly Rental</u>
Suite 104	416	\$15.00	\$6,240.00	\$520.00
CAM*	416	\$1.71	\$711.36	\$59.28
Suite 103	154	\$13.00	\$2,002.00	\$166.83
CAM	154	\$1.71	\$263.34	\$21.94
TOTAL RENTAL			\$9,216.7	\$768.05

* The common Area Maintenance fee is subject to adjustment as set out herein.

2.3 The Common Area Maintenance fee is initially set at \$1.71 per square foot per year but is subject to adjustment each October 1st. Notwithstanding the foregoing, in no event shall the Common Area Maintenance fee exceed 25% of the monthly rental rate.

2.4 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, 9800 Airport Blvd., San Antonio, Bexar County, Texas, 78216 unless otherwise notified in writing. All rentals and payments unpaid for ten (10) days after the date due shall bear interest at the lesser rate of eighteen percent (18%) per annum or the maximum rate allowed under law, from the date the amount was first due.

2.5 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.

2.6 Lessor shall provide electricity to the Leased premises through an exclusive or shared meter at no additional cost to Lessee.

ARTICLE III. TERM

3.1 The term of this Agreement shall be three (3) years and shall commence on the later of March 1, 2024, or passage of an Ordinance by the City Council of San Antonio approving this Agreement (“Commencement Date”) and shall terminate at midnight of the last day of the three year term unless earlier terminated in accordance with this Lease. The City shall retain an option to extend this Lease Agreement for two additional one-year periods. Upon mutual agreement of the parties, the Director shall have the authority to exercise such option at his discretion without City Council action.

ARTICLE IV. USE OF PREMISES

4.1 Lessee shall use the Leased Premises for the following purposes and for no other unless approved in writing by the Aviation Director:

Solely as an aerial tour office, helicopter classroom, instruction, helicopter commercial operation, sale of pilot supplies and such other aviation related purposes as are approved in writing by the Aviation Director.

4.2 Lessee shall not construct/install fuel storage tanks on the Leased Premises.

ARTICLE V. INDEMNIFICATION

5.1 **LESSEE** covenants and agrees to **FULLY INDEMNIFY** and **HOLD HARMLESS**, the **CITY OF SAN ANTONIO** and the elected 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, all without however, the City waiving any governmental immunity available to the City under Texas Law and without waiving any defenses of the parties under Texas law. **IT IS FURTHER COVENANTED AND AGREED THAT SUCH INDEMNITY SHALL APPLY EVEN WHERE SUCH COSTS, CLAIMS, LIENS, DAMAGES, LOSSES, EXPENSES, FEES, FINES, PENALTIES, ACTIONS, DEMANDS, CAUSES OF ACTION, LIABILITY AND/OR SUITS ARISE IN ANY PART FROM THE NEGLIGENCE OF CITY, THE ELECTED OFFICIALS, EMPLOYEES, OFFICERS, DIRECTORS AND REPRESENTATIVES OF CITY, UNDER THIS LEASE.** The provisions 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 promptly advise the City in writing of any claim or demand against the City known to Lessee, and shall see to the investigation and defense of such claim or demand at Lessee’s cost. 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.

5.2 It is the express intent of the parties to this Lease, that the indemnity provided for in this Article 5, is an indemnity extended by **Lessee to indemnify, protect and hold harmless the City** from the consequences of the City's own negligence, provided however, that the indemnity provided for in this Article 5 shall apply only when the negligent act of the City is a contributory cause of the resultant injury, death, or damage, and shall have no application when the negligent act of the City is the sole cause of the resultant injury, death, or damage. **LESSEE further AGREES TO DEFEND, AT ITS OWN EXPENSE and ON BEHALF OF THE CITY AND IN THE NAME OF THE CITY**, any claim or litigation brought against the City and its elected officials, employees, officers, directors, volunteers and representatives, in connection with any such injury, death, or damage for which this indemnity shall apply, as set forth above.

ARTICLE VI. INSURANCE

6.1 Prior to occupancy of the Leased Premises and the conduct of any business thereupon, Lessee shall furnish copies of all required endorsements and completed Certificate(s) of Insurance ("Certificate(s)") to the City's Aviation Department, which shall be clearly labeled "Stinson Municipal 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 by that insurer to bind coverage on its behalf. The City 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 pay or perform under this Agreement 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.

6.2 The City reserves the right to review the insurance requirements of this Article during the effective period of this Agreement 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 Agreement. In no instance will City allow modification whereupon City may incur increased risk.

6.3 A 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 Agreement, and any extension hereof, at Lessee's sole expense, insurance coverage written on an occurrence basis, 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 \$500,000/\$500,000/\$500,000
(2) Broad Form Commercial General Liability Aviation Policy to include coverage for the following:	Combined Single Limit for Bodily Injury and Property Damage of \$1,000,000 per occurrence or its equivalent with an

aggregate of not less than \$2,000,000

- (A) Premises Operations
 - (B) Independent Contractors
 - (C) Contractual Liability
 - (D) Personal Injury
 - (E) Damage to Rented Premises
 - (F) Products/Completed Operations *
 - (G) Hangarkeeper's Liability*
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- (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 Lessee's property
 - (4) Automobile Liability (any auto) Combined Single Limit for Bodily Injury and Property Damage of \$1,000,000 per occurrence or its equivalent in excess or umbrella coverage.
 - (5) Above Ground and/or Underground Storage Tank Liability (but only if such tanks exist at the Leased Premises)* \$10,000,000 per claim
 - (6) Aircraft Liability \$1,000,000 per occurrence, Combined single limit, written on an occurrence form
 - (7) Pollution Legal Liability* for transporting or handling hazardous materials or regulated substances \$1,000,000 per occurrence.

*If applicable, based on Lessee's activities at the Airport.

6.4 The City shall be entitled, upon request and without expense, to receive copies of the policies, declaration page and all endorsements thereto as they apply to the limits required by the City, 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
9800 Airport Blvd.
San Antonio, Texas 78216

6.5 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 and employers' liability policies will provide a waiver of subrogation in favor of the City.
- Provide thirty (30) calendar days 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.

6.6 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 suspend Lessee's performance 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 Agreement.

6.7 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 Agreement.

6.8 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.

6.9 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.

6.10 The City of San Antonio Aviation Department, Properties and Concessions Division, utilizes an insurance certificate tracking firm to verify all insurance forms required from lessees, contractors and subcontractors associated with any lease or contract. The Division's current provider is myCOI. Upon lessee's or contractor's receipt of this executed lease or contract, an email will be sent to you asking you to register online with myCOI. Please make sure the following address is added to your "safe sender" list to ensure you receive this email

communication (registration@mycoitracking.com). It is critical that you provide the Division with your accurate email address. Part of the registration process includes providing contact information for your insurance agent(s). You will also need this information available to you at the time of registration. Once you have registered and entered the email address for your insurance agent(s), an email will be sent to the insurance agent(s) requesting them to upload your Certificate of Insurance (COI) directly into the myCOI website. Certificates of Insurance cannot be mailed, emailed or faxed to the Aviation Department, Properties and Concessions Division. Your agreement will not be in compliance, nor will you be allowed to occupy, operate nor begin construction until registration is completed and a compliant COI and all required endorsements are received from your agent(s).

ARTICLE VII. PERFORMANCE GUARANTEE

7.1 Lessee shall deliver to the Director on or before the execution of this Lease Agreement and shall keep in force throughout the term hereof either an Irrevocable Letter of Credit in favor of Lessor drawn upon a bank satisfactory to Lessor or a Surety Bond payable to Lessor. The foregoing shall be in form and content satisfactory to Lessor, shall be conditioned on the term hereof and shall stand as security for payment by Lessee of all valid claims by Lessor hereunder. If a bond shall be delivered, it shall be issued by a sound indemnity company authorized to do business in Texas. **The amount of the Irrevocable Letter of Credit or Surety Bond to be delivered by Lessee to the Director on or before the date of the execution of this Lease Agreement shall be Four Thousand, Six-Hundred and Fifty Dollars (\$4,650.00).** The amount of the Irrevocable Letter of Credit or Surety Bond shall be adjusted as necessary so that such amount shall at all times equal at least one-half the total annual rental payable by Lessee to Lessor hereunder.

7.2 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.

7.3 In the event that the amount of the Performance Guarantee provided by Lessee under the terms of this Lease Agreement, at all times during the term hereof, shall equal 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 7.1 above, then the provisions set forth in Section 7.2, above, shall not apply hereto.

ARTICLE VIII. SPECIAL PROVISIONS

The Director, in his sole discretion, shall have the right to recapture, reduce, relocate or substitute in whole or in part the Leased Premises.

ARTICLE IX. RESERVED

ARTICLE X. ADDITIONAL FEES AND CHARGES

10.1 If applicable, fuel flowage fees shall be paid by Lessee, its sublessees, permittees and licensees (hereinafter, for purposes of Article 10, collectively "Lessee"), to the Lessor for fuel delivered to Lessee at the Airport, in the amount per gallon, now or hereafter, established by City ordinance. Lessee agrees to keep accurate books, records and accounts of its purchase and sale of aircraft fuel delivered to it on the Airport premises. All such books, records, accounts, and supporting documentation, shall be preserved by Lessee for thirty-six (36) months, either at the Leased Premises or at the home or regional offices of Lessee, and made available, for audit purposes, to Lessor and its authorized agents or representatives, at the Leased Premises, upon request. Lessee agrees to remit, to the Aviation Director, payment and related statements, certified by the various suppliers, as to the amount of aircraft fuel delivered to the Leased Premises, by the 10th day of the month following such delivery. If no such delivery is made during a particular month, Lessee shall provide the Aviation Director with a written statement to that effect.

10.2 Lessee and all tenants and operators at the Airport, other than those engaged in the carriage of persons, cargo, mail or other property for hire (commercial aircraft operators), pursuant to City ordinance, are obligated to pay a fuel flowage fee on aircraft fuel delivered to them. Nothing herein shall relieve Lessee, its customers or others, from any field use charges levied generally by Lessor, directly or indirectly, upon the operation of aircraft at the Airport.

10.3 Fees and charges for miscellaneous items and services, including, but not limited to, employee badges, shall be assessed, by City ordinance, in connection with the ordinary usage of Airport facilities.

10.4 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 XI. PRIVILEGES AND CONDITIONS

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

11.1.1 The general use by Lessee, for commercial aviation activities, of all common aircraft 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 landing area appurtenances, including, but not limited to, approach areas, runways, taxiways, aprons, roadways, sidewalks, navigational and aviation aids, lighting facilities, terminal facilities or other common or public facilities appurtenant to said Airport.

11.1.2 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.

11.2 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.

11.3 Lessor reserves the right to enter the Leased Premises at any reasonable time 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.

ARTICLE XII. ACCEPTANCE AND CONDITION OF PREMISES

12.1 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.

12.2 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 XIII. CONSTRUCTION BY LESSEE

13.1 Should this Lease Agreement be for premises unimproved at the time of the commencement of the lease term, Lessee shall have the right and duty to improve same. Lessee agrees that five (5) sets of plans and specifications, detailing the improvements to be made by Lessee and prepared by registered architects and engineers, must be submitted to the Aviation Director, for his approval as set forth below, no later than six (6) months from commencement of term. In the event that construction of said improvements is not completed within the timelines specified in Article III, if any, this Lease Agreement may, at the option of Lessor, be terminated.

13.2 In all circumstances other than as set forth in Section 13.1 above, Lessee shall have the right to erect, alter, remodel and renovate buildings and other improvements on the Leased Premises, provided that it shall submit to the Aviation Director plans and specifications prepared by registered architects and engineers setting forth the renovations, construction, alterations or improvements that Lessee desires to perform, in such detail as may be required by the Aviation Director, and provided that approval of such plans and specifications by said Director is obtained as set forth below.

13.3 Lessor agrees to examine and approve or disapprove plans and specifications submitted in accordance with the provisions of Sections 13.1 and 13.2 above, within thirty (30) business days after receipt thereof, and to give Lessee written notification of same. The approval by Lessor of such plans and specifications refers only to the conformity of same to the general architectural plan for the Leased Premises, as opposed to their architectural or engineering design. Lessor, by giving its approval, assumes no liability or responsibility therefor or for any defect in any work performed according to such plans and specifications. Lessee agrees not to commence any renovations, construction, alterations or improvements until Lessor, through the Aviation Director, has given written approval regarding Lessee's plans and specifications.

13.4 Further, prior to the commencement of construction, Lessee shall procure any and all additional approvals of the plans and specifications for its buildings and improvements required by any federal, state or municipal authorities, agencies, officers and departments having jurisdiction thereof and shall obtain any and all requisite building or construction licenses, permits or approvals. Construction shall comply with applicable building code requirements and with applicable regulations promulgated by any federal, state or municipal agency or department having jurisdiction thereof. Lessee specifically agrees that it shall hold Lessor completely harmless from and against any and all claims, causes of action or liabilities, whether actual or potential, associated with any construction undertaken by Lessee hereunder.

13.5 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 rental to Lessee of the premises which are the subject hereof, for the term and consideration hereinbefore set forth.

13.6 Upon completion of all renovations, construction, alterations or improvements, a conformed set of "as built" plans and a Certificate of Occupancy shall be provided by Lessee to the Aviation Director.

13.7 In undertaking any such renovations, construction, alterations or improvements, it is expressly understood that, where applicable, unless otherwise agreed to in writing by the parties, Lessee shall be responsible, at its sole expense, for any and all construction and maintenance of taxiways and connections to the Airport's runway and taxiway system, along an alignment and in accordance with designs and plans approved in advance, in writing, by the Aviation Director. It is further expressly understood and agreed that any improvements and access thereto constructed by Lessee on the Leased Premises shall be performed in such a manner that shall not cause flowage of surface drainage onto adjacent tracts or interrupt flow to the storm drainage system.

ARTICLE XIV. LIENS PROHIBITED

14.1 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.

14.2 If any such mechanics' lien or materialmen's lien shall be recorded against the Leased Premises, or any improvements thereon, Lessee shall cause the same to be removed or, 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 XV. MAINTENANCE AND REPAIR

15.1 Lessee shall pay or cause to be paid, connection fees and any and all additional costs related to additional utility connections, additional metering, and any repairs needed as a result of damage caused by Lessee.

15.2 Except as may be otherwise provided herein, Lessee shall, throughout the term of this Lease Agreement and any extension hereof, assume the entire responsibility, cost and expense, for all repair and maintenance of the Leased Premises and all buildings and improvements thereon, whether such repair or maintenance be ordinary, extraordinary, structural or otherwise. Additionally, without limiting the foregoing, Lessee shall:

- 15.2.1 at all times maintain the buildings and improvements in a good state of repair and preservation, excepting ordinary wear and tear and obsolescence in spite of repair; and
- 15.2.2 replace or substitute any fixtures and equipment which have become inadequate, obsolete, worn out, unsuitable or undesirable, with replacement or substitute fixtures and equipment, free of all liens and encumbrances, which shall automatically become a part of the buildings and improvements; and
- 15.2.3 at all times keep the Leased Premises, its buildings, improvements, fixtures, equipment and personal property, in a clean and orderly condition and appearance; and
- 15.2.4 provide, and maintain in good working order, all obstruction lights and similar devices, fire protection and safety equipment, and all other equipment of every kind and nature required by laws, rules, orders, ordinances, resolutions or regulations of any competent authority, including Lessor and Aviation Director; and
- 15.2.5 observe all insurance regulations and requirements concerning the use and condition of the Leased Premises, for the purpose of reducing fire hazards and insurance rates on the Airport; and
- 15.2.6 repair any damage, caused by Lessee, to paving or other surfaces of the Leased Premises or the Airport, in connection with the scope of the Lease Agreement, caused by any oil, gasoline, grease, lubricants, flammable liquids and/or

substances having a corrosive or detrimental effect thereon, or by any other reason whatsoever; and

- 15.2.7 take measures to prevent erosion, including, but not limited to, the planting and replanting of grass on all unpaved or undeveloped portions of the Leased Premises; the planting, maintaining and replanting of any landscaped areas; the designing and constructing of improvements on the Leased Premises; and the preservation of as many trees as possible, consistent with Lessee's construction and operations; and
- 15.2.8 be responsible for the maintenance and repair of all utility services lines upon the Leased Premises, including, but not limited to, water and gas lines, electric power and telephone conduits and lines, sanitary sewers and storm sewers; and
- 15.2.9 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
- 15.2.10 replace broken or cracked plate glass, paint/repaint structures upon the Leased Premises and, where applicable, mow the grass; and
- 15.2.11 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 the operation of its business.

15.3 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. 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 any associated overhead reasonably determined by Lessor, 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 XVI. TITLE

16.1 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. At Lessor's sole

election, any such items remaining on the Leased Premises more than thirty (30) days after the expiration of the term hereof, shall then belong to Lessor without payment of consideration therefor.

16.2 All foundations, buildings, alterations, additions or improvements (hereinafter "Improvements") made upon the Leased Premises by Lessee are and shall be the property of Lessee during the continuance of the term of this Lease. Absent such written approval of the Director, any attempted conveyance, transfer or assignment of Improvements, whether voluntary, by operation of law or otherwise, to any person, corporation or other entity, shall be void and of no effect, unless such conveyance, transfer or assignment shall be to a person, corporation or other entity to whom the Lease Agreement itself is being transferred or assigned simultaneously therewith, in compliance with the terms and conditions hereof.

16.3 With the exception of fuel storage facilities, as set forth below in Article XVII. Environmental Compliance, at Lessor's sole option, title to Improvements made upon the Leased Premises by Lessee, and fixtures annexed thereto, shall vest in and become the property of Lessor, at no cost to Lessor and without any instrument of conveyance, upon the expiration of this Lease Agreement or upon earlier termination thereof. Notwithstanding the foregoing, Lessee covenants and agrees, upon Lessor's demand, on or after termination of the Lease Agreement, to execute any instruments requested by Lessor in connection with the conveyance of such Improvements. Lessor shall notify Lessee of its intention to take title to Improvements, or any portion thereof, as herein provided, within sixty (60) days of the expiration of the term of this Lease Agreement or earlier termination thereof. Lessor's failure to provide such notice, however, shall not act as a waiver of its rights hereunder; provided that Lessor, within a reasonable time.

16.4 Should Lessor elect not to take title to Improvements, or any portion thereof, as provided in Section 16.3 above, same shall be removed by Lessee, at its sole cost and risk, in compliance with all applicable laws and regulations and, to the degree reasonably possible, the Leased Premises shall be restored to the condition that existed prior to the construction of same. Should Lessee fail to undertake such removal within ninety (90) days following the expiration or termination of this Lease Agreement, Lessor may undertake such removal at Lessee's expense.

ARTICLE XVII. ENVIRONMENTAL COMPLIANCE

17.1 Lessee shall not install or construct any fuel storage facilities upon the Leased Premises. Lessee acknowledges that it is the owner of and any fuel storage facilities that may in the future be placed by Lessee, its sublessees, licensees or permittees in, on or upon the Leased Premises. (For purposes of this Article XVII, "facilities" are defined as any mobile or fixed, onshore building, structure, installation, equipment, pipe, or pipeline used in fuel storage, fuel gathering, fuel transfer, or fuel distribution.) Lessee agrees that it shall, at its sole expense, comply with all applicable federal, state and local statutes, laws, ordinances, rules and regulations concerning fuel storage facilities, including, but not limited to, regulations promulgated by the Environmental Protection Agency, as well as all inspection, financial liability and inventory control recording requirements, and that it shall provide Lessor with copies of certificates of

registration from the Texas Commission on Environmental Quality (hereinafter "TCEQ") for any existing or new fuel storage facilities, together with copies of any required proof of financial responsibility and other documentation reasonably required by the Aviation Director or applicable regulatory agency.

17.2 During the term of this Lease Agreement and any extensions thereof, should changes in applicable statutes, laws, rules or regulations regarding fuel storage facilities necessitate the removal, modification or replacement of such fuel storage facilities in, on, upon or under the Leased Premises, then such removal, modification or replacement shall be timely undertaken and performed by Lessee, at its sole cost and expense. Ownership of the fuel storage facilities shall, at all times, remain in the Lessee, its sublessees, licensees and permittees. Furthermore, if requested by Lessor, Lessee shall within ninety (90) days following the termination or expiration of this Lease Agreement, at its sole cost, remove said Items from the Leased Premises, perform any required soil or other investigations, perform regulatory remediation and restore the Leased Premises to a condition in compliance with all applicable statutes, laws, rules, or regulations governing fuel storage facilities. The Performance Guarantee required under the terms of this Lease Agreement shall not be returned or restored to Lessee until such removal, if requested, is accomplished and/or remediation is accomplished to the satisfaction of TCEQ.

17.3 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.

17.4 Lessee shall remedy any release or threatened release, caused by its 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.

17.5 With the exception of environmental matters not caused by, or reasonably discoverable by Lessee prior to the commencement of this Lease Agreement, Lessee agrees to defend, indemnify and hold harmless Lessor, its elected and appointed officials, officers, agents and employees, 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.

17.6 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. Lessee shall, upon the Aviation Director's demand and at Lessee's sole expense, demonstrate to said Director (through such tests, professional inspections, samplings, or other methods as may be reasonably required by said Director) that Lessee has not caused or permitted any release of hazardous substances or contaminants in excess of quantities or volumes permitted by applicable federal, Texas or local law. Qualified independent experts, chosen by Lessee, subject to Lessor's approval, which approval shall not be unreasonably withheld, shall conduct any such tests and assessments. Lessee shall provide copies of reports from any such testing or assessments to Lessor upon receipt. Should Lessee not provide same to Lessor, Lessor may conduct, or cause to be conducted, such tests, inspections, samplings and assessments, and Lessee shall reimburse Lessor for all costs of such actions, no later than thirty (30) days following receipt by Lessee of invoices therefor. Lessor reserves the right to conduct any of the above actions, at the Aviation Director's discretion, when in the opinion of same, additional or supplemental assessments are in Lessor's best interest.

17.7 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.

17.8 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, said 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 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.

ARTICLE XVIII. SIGNS

Lessee shall neither erect signs nor distribute advertising matter upon Airport Premises, without the prior written consent of the Aviation Director. Such consent will not be unreasonably withheld or delayed.

ARTICLE XIX. 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 XX. SUBORDINATION OF LEASE

This Lease Agreement shall be subordinate to the provisions of any existing or future agreement between Lessor and the United States 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 (i) give the maximum possible notice thereof to Lessee; and (ii) cooperate with Lessee to mitigate the impact of such agreement or taking or other government action upon Lessee, including, but not limited to, reasonably assisting Lessee in securing alternate premises and minimizing any disruption of or interference with Lessee's business.

ARTICLE XXI. SECURITY

21.1 Lessee shall comply with all rules, regulations, statutes, orders, directives or other mandates of the United States or State of Texas, regarding Airport security requirements or measures.

21.2 Lessee shall comply with all current and future mandates of the Transportation Security Agency for background investigations of its personnel.

21.3 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 XXII. DEFAULT AND REMEDIES

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

22.1.1 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.

22.1.2 Lessee shall fail to provide or maintain insurance as provided for in this Lease Agreement and such failure shall continue for a period of five (5) days after receipt by Lessee of written notice hereof provided, however, that Lessee shall not be entitled to any notice from Lessor under this provision when failure to maintain insurance is due to a cancellation or expiration of policy or coverage.

22.1.3 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.

22.1.4 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.

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

22.1.6 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.

22.1.7 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.

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

22.1.9 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 or other proceeding or occurrence described in paragraphs 22.1.4 through 22.1.8 of this Section 22.1.

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

22.2 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, either to terminate this Lease Agreement, 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 shall remain liable as hereinafter provided, or 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, 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. In addition to any 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.

22.3 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.

22.4 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 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 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 relet the Premises and mitigate Lessor's damages by: (1) posting a "For Lease" sign on the Premises; (2) advising Lessor's lease agent, if any, of the availability of the Premises; and (3) advising at least one outside commercial brokerage entity of the availability of the Premises.

22.5 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.

22.6 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 fifteen (15) 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.

22.7 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.

22.8 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 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.

22.9 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.

22.10 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 said 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.

22.11 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.

ARTICLE XXIII. HOLDING OVER

It is agreed and understood that any holding over by Lessee, with Lessor's consent, after the termination of this Lease Agreement, shall not renew and extend same, but shall operate and be construed as a tenancy from month-to-month, upon all the terms and conditions set forth herein.

ARTICLE XXIV. ASSIGNMENT AND SUBLET

Lessee is prohibited from and shall not transfer, sublet, or assign this Lease Agreement or Lessee's interest in or to the Leased Premises, or any part thereof, without the expressed written permission of the Director. Any attempted conveyance, transfer, sublet or assignment of this Lease Agreement or any portion thereof, without said permission, whether voluntary, by operation of law or otherwise, to any person, corporation or other entity, shall be void and of no effect.

ARTICLE XXV. FIRE AND OTHER DAMAGE

25.1 In the event a City-owned building on the Leased Premises shall be partially damaged by fire or other casualty, Lessee shall give immediate notice thereof to Lessor and the same shall be repaired, at Lessor's expense, without unreasonable delay, unless Lessor determines that the damage is so extensive that repair or rebuilding is not feasible. From the date of such casualty until repair, monthly rental payments hereunder shall abate based on the proportion the part of the building destroyed, or rendered untenable, bears to the total building space; provided, however, that if said building shall be so slightly injured in any such casualty as not to be rendered unfit for occupancy, the rent hereunder shall not cease or be abated during any repair period. In the event that the damage to the building, by fire or other casualty, is so extensive that the building is rendered wholly untenable, and such damage to the building, in the exclusive judgment of Lessor, makes rebuilding same to be impractical, then at the option of the Lessor, and upon notice to Lessee, this Lease Agreement, as it applies to said building, shall cease, and the rent hereunder shall be apportioned and paid up to date of such damage. If Lessor elects to rebuild such building, Lessor shall notify Lessee of such intention within thirty (30) days of the date of the damage, otherwise the Lease Agreement, as applicable to said building, shall be deemed canceled and of no further force or effect. Notwithstanding any provision above, should the destruction or damage to said building (to the extent of work that is to be provided as part of Lessor's obligation) be so great that it will not be reasonably repaired or restored by Lessor within one hundred twenty (120) days to the state of fitness that existed prior to the commencement of improvements, if any, performed by Lessee, Lessee may, at its option, terminate this Lease Agreement, as it applies to said building, by written notification of same given to Lessor within thirty (30) days after the occurrence of such casualty, or upon notification that the work will not be completed within the one hundred twenty (120) days.

25.2 Lessor's obligations to rebuild or repair under this Article shall, in any event, be limited to restoring said building to substantially the condition that existed prior to the commencement of improvements, if any, performed by Lessee and shall further be limited to the extent of the insurance proceeds available to Lessor for such restoration. Lessee agrees that if Lessor elects to repair or rebuild as set forth in this Article, then Lessee will proceed with reasonable diligence, at its sole cost and expense, to rebuild, repair and restore its improvements, signs, fixtures, furnishings, equipment and other items provided or installed by Lessee in or about the Leased Premises in a manner and to a condition at least equal to that which existed prior to the damage or destruction.

25.3 In the event that the building or other improvements upon the Leased Premises constructed by and/or owned by Lessee are damaged or destroyed by fire or any other casualty during the term of this Lease Agreement or any extension hereof, regardless of the extent of such damage or destruction, the rent payable hereunder shall not abate. Furthermore, Lessee shall, no later than one hundred twenty (120) days following the date of such damage or destruction, commence to repair, reconstruct or replace the damaged or destroyed building or improvement and prosecute the same with reasonable diligence, so that the building or improvement shall, at Lessee's sole expense, be restored no later than one (1) year following such damage or destruction to substantially the condition it was in prior to said damage or destruction. Should the commencement, construction or completion of said repair, reconstruction or replacement be prevented or delayed by reason of war, civil commotion, acts of God, strikes, governmental

restrictions or regulations, fire or other casualty, or any other reason beyond the control of Lessee, the time for commencing or completing the repair, reconstruction or replacement, as the case may be, shall automatically be extended for the period of each such delay.

ARTICLE XXVI. LAWS AND ORDINANCES

Lessee agrees to comply promptly with all laws, ordinances, orders and regulations 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 XVII. 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 XXVIII. TAXES AND LICENSES

Lessee shall 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 (including leasehold taxes), the business conducted thereon or upon any of Lessee's property used in connection therewith. Lessee shall also maintain, in current status, all Federal, State and local licenses and permits required for the operation of its business.

ARTICLE XXIX.

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,, in employment practices, use of or admission to the Leased Premises.

29.2 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 Premises, for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

29.3 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 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

29.4 Lessee agrees that it will comply with applicable statutes, Executive Orders and such rules as are promulgated by applicable state, federal or municipal agencies to assure that no person shall be excluded from participating in any activity conducted with or benefiting from Federal assistance on the basis of race, creed, color, national origin, sex age, or handicap, as shown in **Exhibit 2**. Lessee, is successors and assigns, shall be obligated to comply with the provisions of this Section 29.4 for the period during which Federal assistance is extended to the Airport, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures of improvements thereon. In these cases, this Section 29.4 shall apply to Lessee, its successors and assigns, through the later of: (a) the period during which such property is used by Lessor, its successors and assigns 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 Lessor, is successors or assigns, retains ownership or possession of the Leased Premises.

ARTICLE XXX. FORCE MAJEURE

Each party shall be excused from performing any obligation provided for in this Lease Agreement (except Lessee's obligation to pay rent) so long as performance of the obligation is prevented, delayed, retarded or hindered by Act of God, fire, earthquake, flood, explosion, war, riot, inability to procure or a general shortage of labor, equipment, facilities, materials or supplies, or any other cause not within the reasonable control of the hindered party, but excluding failure caused by a party's financial condition or negligence.

ARTICLE XXXI. NOTICES

Notices required by this Lease Agreement to be given by one party to the other shall be in writing and sent by (i) United States certified, or express mail, postage prepaid, (ii) recognized national courier (such as FedEx, UPS, DHL), (iii) personal delivery, (iv) facsimile transmission, to the addresses in the preamble of this Lease Agreement or such other addresses as the parties may designate in writing. Service of process must be made in accordance with state law.

ARTICLE XXXII. CONFLICT OF INTEREST

32.1 The Charter of the City of San Antonio and the City of San Antonio Code of Ethics prohibit a City officer or employee, as those terms are defined in Section 2-52 of the Code of Ethics, from having a direct or indirect financial interest in any contract with the City. 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 or her spouse, sibling, parent, child or other family member within the first degree of consanguinity or affinity;
- an entity in which the officer or employee, or his or her parent, child or spouse directly or indirectly owns (i) 10 percent or more of the voting stock or shares of the entity, or (ii) 10 percent or more of the fair market value of the entity; or
- an entity in which any individual or entity listed above is (i) a subcontractor on a City contract, (ii) a partner or (iii) a parent or subsidiary entity.

32.2 Pursuant to the subsection above, Lessee warrants and certifies, and this Agreement is made in reliance thereon, that by contracting with the City, Lessee does not cause a City employee or officer to have a prohibited financial interest in the Contract. Lessee further warrants and certifies that it has tendered to the City a Contracts Disclosure Statement in compliance with the City’s Ethics Code.

ARTICLE XXXIII. 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.

ARTICLE XXXIV. GENERAL PROVISIONS

34.1 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.

34.2 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.

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

34.4 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.

34.5 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.

34.6. 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.

34.7 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.

34.8 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.

34.9 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 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 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 and Lessee agrees to reimburse Lessor for all costs of such removal, 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.

34.10 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.

34.11 Compliance With Part 77, Title 14, CFR. 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. Lessee shall coordinate and obtain approval for the use of any cranes or other equipment and machinery which may constitute a hazard obstruction to navigable air space utilized by users of Stinson Municipal Airport. All use of such equipment shall be coordinated through the Stinson Airport Manager.

34.12 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.

34.13 Inspection Of Books And Records. Each party hereto, 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 the other party relating to the provisions and requirements hereof, provided such inspection is made during regular business hours and such is not prohibited by the U.S. Government.

34.14 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.

34.15 Time Is Of The Essence. Time shall be of the essence in complying with the terms, conditions and provisions of this Agreement.

34.16 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.

34.17 Approvals By Lessor/ Authority Of Aviation Director. 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. The Aviation Director shall administer this Agreement on behalf of Lessor. Unless otherwise provided herein or required by applicable law, the Aviation Director shall be vested with all rights, powers, and duties of Lessor herein.

ARTICLE XXXV. CUMULATIVE REMEDIES -NO WAIVER - NO ORAL CHANGE

Specific remedies of the parties under this Lease Agreement are the cumulative and do not exclude any other remedies to which they may be lawfully entitled, in the event of a breach or threatened breach hereof. The failure of either party ever 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.

ARTICLE XXXVI. 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 XXXVII. 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. Further, no change, modification or discharge, or deletion 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 both parties.

ARTICLE XXXVIII. AUTHORITY TO ENTER INTO AGREEMENT

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

EXECUTED by the parties as of the dates indicated below.

ALAMO HELICOPTER TOURS SAN ANTONIO, LLC **CITY OF SAN ANTONIO**

By:  _____
Signature

Betty Corona

Printed Name/Title

Date: 1/7/2024

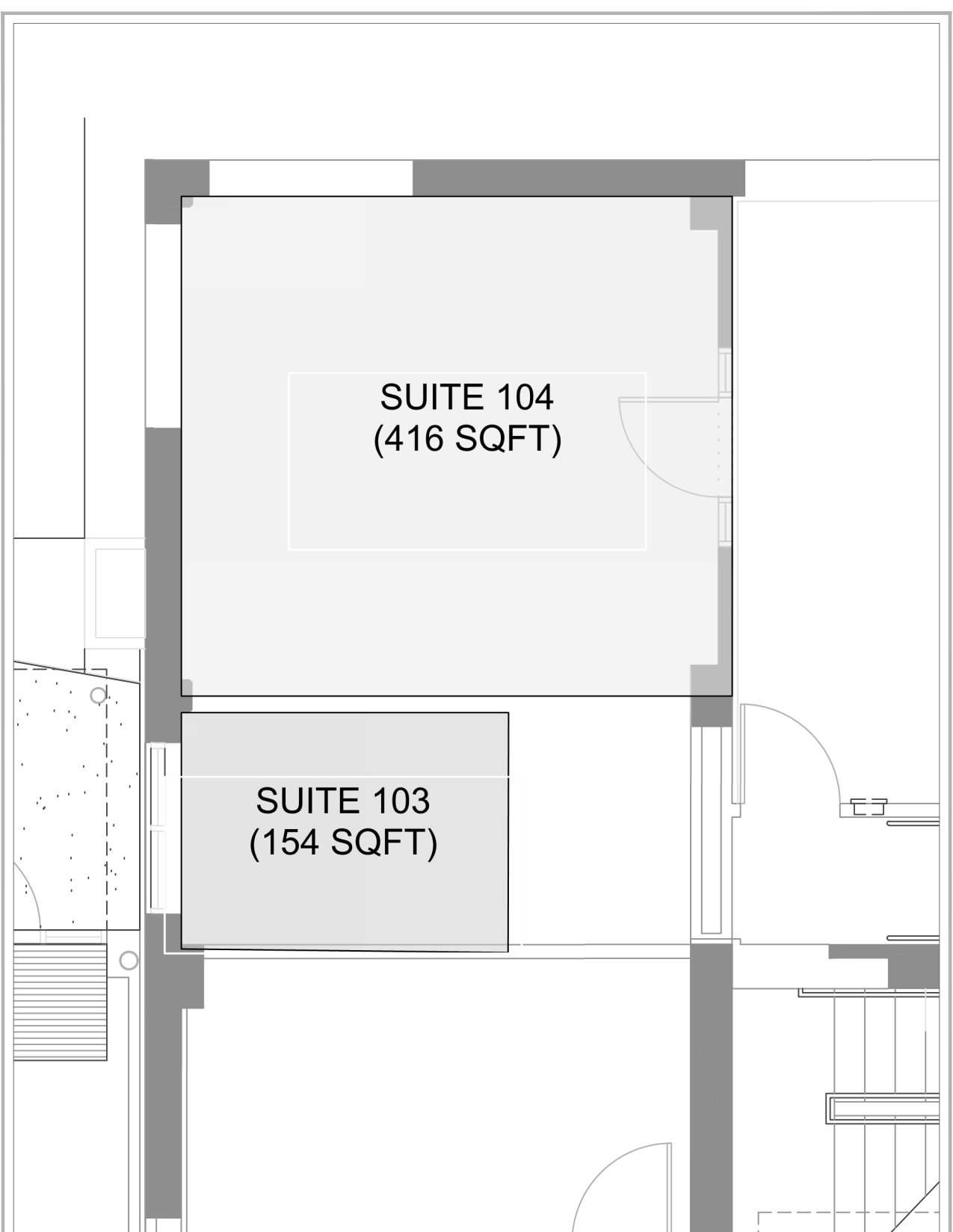
By: _____
Erik J. Walsh, City Manager

Date: _____

APPROVED AS TO FORM:

City Attorney

EXHIBIT 1
LEASED PREMISES



SUITE 104
(416 SQFT)

SUITE 103
(154 SQFT)



STINSON MUNICIPAL AIRPORT
1ST FLOOR SUITES 103 & 104
570 SQ. FT.

EXHIBIT 2
REQUIRED FEDERAL CONTRACT PROVISIONS

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:

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.

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.

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.

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.

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.

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.).

Drug-Free Workplace

(a) Definitions. As used in this clause—

“Controlled substance” means a controlled substance in schedules I through V of section 202 of the Controlled Substances Act ([21 U.S.C. 812](#)) and as further defined in regulation at 21 CFR 1308.11 - 1308.15.

“Conviction” means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes.

“Criminal drug statute” means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, possession, or use of any controlled substance.

“Drug-free workplace” means the site(s) for the performance of work done by the Contractor in connection with a specific contract where employees of the Contractor are prohibited from engaging in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance.

“Employee” means an employee of a Contractor directly engaged in the performance of work under a Government contract. “Directly engaged” is defined to include all direct cost employees and any other Contractor employee who has other than a minimal impact or involvement in contract performance.

“Individual” means an offeror/contractor that has no more than one employee including the offeror/contractor.

(b) The Contractor, if other than an individual, shall—within 30 days after award (unless a longer period is agreed to in writing for contracts of 30 days or more performance duration), or as soon as possible for contracts of less than 30 days performance duration—

(1) Publish a statement notifying its employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Contractor’s workplace and specifying the actions that will be taken against employees for violations of such prohibition;

(2) Establish an ongoing drug-free awareness program to inform such employees about—

(i) The dangers of drug abuse in the workplace;

(ii) The Contractor’s policy of maintaining a drug-free workplace;

(iii) Any available drug counseling, rehabilitation, and employee assistance programs; and

(iv) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

- (3) Provide all employees engaged in performance of the contract with a copy of the statement required by paragraph (b)(1) of this clause;
- (4) Notify such employees in writing in the statement required by paragraph (b)(1) of this clause that, as a condition of continued employment on this contract, the employee will—
- (i) Abide by the terms of the statement; and
 - (ii) Notify the employer in writing of the employee's conviction under a criminal drug statute for a violation occurring in the workplace no later than 5 days after such conviction;
- (5) Notify the Contracting Officer in writing within 10 days after receiving notice under subdivision (b)(4)(ii) of this clause, from an employee or otherwise receiving actual notice of such conviction. The notice shall include the position title of the employee;
- (6) Within 30 days after receiving notice under subdivision (b)(4)(ii) of this clause of a conviction, take one of the following actions with respect to any employee who is convicted of a drug abuse violation occurring in the workplace:
- (i) Taking appropriate personnel action against such employee, up to and including termination; or
 - (ii) Require such employee to satisfactorily participate in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency; and
- (7) Make a good faith effort to maintain a drug-free workplace through implementation of paragraphs (b)(1) through (b)(6) of this clause.
- (c) The Contractor, if an individual, agrees by award of the contract or acceptance of a purchase order, not to engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance while performing this contract.
- (d) In addition to other remedies available to the Government, the Contractor's failure to comply with the requirements of paragraph (b) or (c) of this clause may, pursuant to FAR [23.506](#), render the Contractor subject to suspension of contract payments, termination of the contract or default, and suspension or debarment.