

AN ORDINANCE 2007-06-28-0779

AMENDING THE EXISTING LEASE/MANAGEMENT AGREEMENT WITH SECURITY AIRPARK, INC. FOR PREMISES AT SAN ANTONIO INTERNATIONAL AIRPORT TO ADD THE SECURITY AIRPARK ANNEX.

* * * * *

WHEREAS, the City of San Antonio and Security Airpark, Inc. (“Lessee”) entered into a twenty-year lease agreement for premises at San Antonio International Airport with a term expiring on June 30, 2019 (“Lease No. 122124” or “Original Master Lease Agreement”), as authorized by Ordinance No. 89969 of June 24, 1999; and

WHEREAS, the City of San Antonio and Lessee entered into a previous and separate twenty year lease agreement for premises at San Antonio International Airport (“Lease No. 122137” or the “Annex Lease Agreement”) with a term expiring on August 31, 2005, as authorized by Ordinance No. 60849 of June 13, 1985; and the Annex Lease Agreement has continued on a month-to-month since that date; and

WHEREAS, on August 6, 1998, the Annex Lease Agreement was amended (“Annex Amendment 1”) to delete from the Leased Premises 26,601 square feet of ground space and the building on the Leased Premises known as Hangar 2 (“Amendment 1 Premises”) pursuant to Ordinance No. 88215; and

WHEREAS, by that same Ordinance, Lease No. 122129 with Lessee for the Amendment 1 Premises in order to allow Lessee to enter into a long term sub-lease with H.E. Butt Grocery Company, (“HEB Lease”) facilitating the construction of valuable improvements to Hangar 2 at the sub-lessee’s sole cost, risk and expense; and

WHEREAS, on February 15, 2001, the Annex Lease Agreement was again amended to delete an additional 31,374 square feet of ground space to add such space to the Original Master Lease Agreement (“Annex Amendment 2”), as authorized in Ordinance No. 93445, to allow Lessee sufficient time within which to amortize costs associated with future construction of improvements; and

WHEREAS, in accordance with the terms of the Annex Lease Agreement, title to the aircraft hangars located on the Annex Premises vested in the City on August 31, 2005 and Lessee is willing to manage these aircraft hangars for the City and the City is amenable to this arrangement; and

WHEREAS, it is now necessary to incorporate the Annex Premises into the Original Master Lease Agreement for the remainder of the term of the Original Master Lease Agreement; and in order to effectuate such action, it is necessary that this Lease Amendment be executed; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or her designee is authorized to execute the attached Lease Amendment with Security AirPark, Inc., incorporating the Annex Premises into the Original Master Lease Agreement.

SECTION 2. Fees generated by this ordinance will be deposited into SAP Fund 51001000 Airport Operations, SAP Internal Order 233000000004 Aviation Service Area, SAP GL accounts; 4409016 Aviation Building Rental, and 4409040 Aviation Ground Rental NonAviation.

SECTION 3. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager, or the City Manager's designee, correct allocation to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance

SECTION 4. This Ordinance shall take effect immediately upon passage by eight (8) affirmative votes; otherwise it shall be effective ten (10) days after its passage.

PASSED AND APPROVED this 28th day of June, 2007.



MAYOR

PHIL HARDBERGER

ATTEST:



City Clerk

APPROVED AS TO FORM:



for City Attorney

City Council Meeting

DATE: June 28, 2007

ORDINANCE: 2007-06-28-0779

AGENDA ITEM: 47
Consent Agenda

RESOLUTION:

NAME	MOTION	SECOND	ABSTAIN	AYE	NAY	ABSENT
Mary Alice Cisneros DISTRICT 1						
Sheila McNeil DISTRICT 2						
Roland Gutierrez DISTRICT 3						
Philip Cortez DISTRICT 4						
Lourdes Galvan DISTRICT 5						
Delicia Herrera DISTRICT 6						
Justin Rodriguez DISTRICT 7						
Diane Cibrian DISTRICT 8						
Kevin Wolff DISTRICT 9						
John Clamp DISTRICT 10						
Phil Hardberger MAYOR						

COMMENTS:

LEASE AMENDMENT

THIS LEASE AMENDMENT is made in multiple originals and entered into by and between the City of San Antonio, a Texas Municipal Corporation, (hereinafter "Lessor") acting by and through its City Manager, pursuant to Ordinance No. 2007-06-28-0779 adopted on June 28, 2007, and **SECURITY AIRPARK, INCORPORATED**, a Texas Corporation, acting by its designated officer(s) pursuant to its by-laws or a resolution of its Board of Directors. ("Lessee")

WHEREAS, Lease No. 122124 ("Original Master Lease Agreement") for lease of ground and building space at the San Antonio International Airport with Lessee was authorized and executed pursuant to Ordinance No. 89969 on June 24, 1999 for a twenty (20) year term expiring June 30, 2019; and

WHEREAS, Lease No. 122137 ("Annex Lease Agreement") for lease of ground and building space at the San Antonio International Airport with Lessee was authorized and executed pursuant to Ordinance No. 60849 on June 13, 1985 and for a term which expired August 31, 2005 and has been continued on a month-to-month basis, by mutual agreement, since that date; and

WHEREAS, on August 6, 1998, pursuant to Ordinance No. 88215 the Annex Lease Agreement was amended ("Annex Amendment 1") to delete from the Leased Premises 26,601 square feet of ground space and the building on the Leased Premises known as Hangar 2, ("Amendment 1 Premises"); and

WHEREAS, by that same Ordinance, Lease No. 122129 was approved authorizing the execution of a new Lease with Lessee for the Amendment 1 Premises in order to allow Lessee to enter into a long term sub-lease with H.E. Butt Grocery Company, ("HEB Lease") facilitating the construction of valuable improvements to Hangar 2 at the sub-lessee's sole cost, risk and expense; and

WHEREAS, on February 15, 2001, pursuant to Ordinance No. 93445 the Annex Lease Agreement was again amended to delete an additional 31,374 square feet of ground space from the Annex Lease Agreement and to add such space to the Original Master Lease Agreement ("Annex Amendment 2") to allow Lessee sufficient time within which to amortize costs associated with future construction of improvements; and

WHEREAS, in accordance with the terms of the Annex Lease Agreement, title to the aircraft hangars located on the Leased Ground Premises, vested in Lessor on August 31, 2005; and

WHEREAS, the Parties now desire to incorporate the Leased Premises which remain covered by the Annex Lease Agreement into the Original Master Lease Agreement for the remainder of the term of the Original Master Lease Agreement; and

WHEREAS, in order to effectuate the agreement of the parties as to these matters, it is necessary that this Lease Amendment be executed; **NOW THEREFORE:**

In consideration of the terms, covenants, agreements and demises herein contained, and in consideration of other good and valuable consideration, each to the other given, the sufficiency and receipt of which are hereby acknowledged, Lease No. 122124 by and between Lessor and Lessee, authorized by Ordinance No. 89969 and adopted on June 24, 1999, as amended by Annex Amendment 1 and Annex Amendment 2, is further amended as follows:

A. Article 1 of Lease No. 122124, as amended, is hereby replaced with the following:

1. DESCRIPTION OF PREMISES FOR LEASE

Lessor, for and 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 the "Leased Premises") located at the San Antonio International Airport (hereinafter the "Airport"), San Antonio, Bexar County, Texas,:

645,509 square feet of ground space and 197,538 square feet of building space out of New City Block 8644, San Antonio, Bexar County, Texas, as shown on Exhibit 2, which is attached hereto and made a part hereof.

B. Article 2 of Lease No. 122124, as amended, is hereby replaced with the following:

2. PREMISES RENTAL

2.1 Lessee agrees to pay Lessor as rental, monthly in advance, 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.

*see below

Annex	Type	Area	Annual Rate (\$/SF)	Annual Rental	Monthly Rental
Building 1034 (Hangar 1)	Office Hangar	2,817 sq. ft. 10,064 sq. ft.	\$2.90	\$37,354.90	\$3,112.91
Building 1033 (Hangar 2)	Office Hangar	2,667 sq. ft. 11,633 sq. ft.	\$3.05	\$43,615.00	\$3,634.58
Building 1032 (Hangar 3)	Office Hangar	1,476 sq. ft. 5,908 sq. ft.	\$1.66	\$12,257.44	\$1,021.45
Building 1031 (Hangar 4)	Office Hangar	1,080 sq. ft. 6,040 sq. ft.	\$1.64	\$11,676.80	\$973.07
Building 1030 (Hangar 5)	Office Hangar	1,470 sq. ft. 4,930 sq. ft.	\$2.14	\$13,696.00	\$1,141.33
Building 1035 (Hangar 6)	Office Hangar Storage	3,288 sq. ft. 5,772 sq. ft. 2,940 sq. ft.	\$3.69	\$44,280.00	\$3,690.00
Annex Bldg. Total*		60,085 sq.ft.		\$162,880.14	\$13,573.34

Premises	Type	Area	Annual Rate \$/SF	Annual Rental	Monthly Rental
Annex	Building *	60,085 sq. ft.	various	\$162,880.14	\$13,573.34
	Ground	186,430 sq. ft.	\$0.4000	\$74,572.00	\$6,214.33
Tract A	Ground	97,330 sq. ft.	0.3279	\$31,914.51	\$2,659.54
	Building	10,963 sq. ft.	2.6814	\$29,396.19	\$2,449.68
Tract B	Ground	325,251 sq. ft.	0.3279	\$106,649.80	\$8,887.48
	Building	126,490 sq. ft.	0.9810	\$124,086.69	\$10,340.56
Tract C	Ground	5,124 sq. ft.	0.3279	\$1,680.16	\$140.01
Tract D	Ground	31,374 sq. ft.	0.3190	\$10,008.31	\$834.03
GRAND TOTAL				\$541,187.79	\$45,098.98

C. The type and limits of insurance coverages required under Article 5 of Lease No. 122124, as amended, are hereby replaced with the following:

<u>TYPE</u>	<u>AMOUNTS</u>
1. Workers' Compensation ** Employers' Liability **	Statutory \$1,000,000/\$1,000,000/\$1,000,000
2. Commercial General (public) Liability Insurance to include coverage for the following: a. Premises operations *b. Independent contractors c. Products/completed operations d. Personal Injury e. Contractual Liability	<u>For Bodily Injury and Property Damage</u> of \$1,000,000 per occurrence; \$2,000,000 General Aggregate, or its equivalent in Umbrella or Excess Liability Coverage
3. Automobile Liability a. Owned/leased vehicles b. Non-owned vehicles c. Hired Vehicles	<u>Combined Single Limit for Bodily Injury and Property Damage</u> of \$1,000,000 per occurrence
* If Applicable	
** Alternate Plans Must Be Approved by Risk Management	

All other insurance provisions, including all required endorsements and waivers of subrogation, remain unchanged.

D. Article 7. Performance Guarantee, as amended. The required performance guarantee is increased to the amount of TWO HUNDRED SEVENTY THOUSAND SIX-HUNDRED AND 00/100 U.S. DOLLARS (\$270,600.00).

E. Article 11. Special Provisions –Applicable to Tract B is amended as follows:

(1) the words “and Annex” are added at the end of the provision title.

(2) the following is added at the end of Section 11.3:

“All primary sublease rental rates for the Annex are set out in Section 2 of this Agreement and Exhibit 3, attached hereto, and shall remain in effect through the term of this Lease Agreement, subject to the Economic Adjustment in rental rates contained in Standard Provision 1.1 of this Lease Agreement.”

(3) Section 11.7, as amended, is hereby replaced with the following:

11.7 In consideration of the management and subleasing services for Tract B and the Annex to be performed by Lessee, City agrees to permit Lessee to retain as payment from the City the following amounts from sublease payments received from Lessee:

- (a) 5% of the total amount of the monthly payments of rent including interest and late fees tendered by sublessees throughout the term of this Lease Agreement; and
- (b) \$31,244.89 annually for administrative expenses, salary of on-site staff, office rent, telephone, office supplies, and other reasonable and necessary expenses to the extent that said expenses are exclusively devoted to management activities of Tract B and the Annex that would have been performed by Lessor if Lessor administered said subleases directly. The allocation of administrative expenses is shown on Exhibit 4 attached hereto and made a part hereof in its entirety. This amount is subject to revision from time to time upon the approval of the Aviation Director. Upon such revision, Lessee shall be notified in writing of such new amount for administrative and other expenses and such new amount shall automatically be substituted into this Lease Agreement."

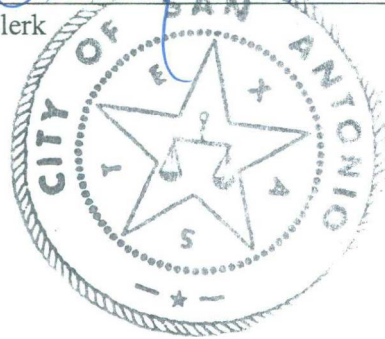
Except as amended hereby, all other provisions of Lease No. 122124 and all prior amendments thereto are hereby retained in their entirety and remain unchanged.

This Lease Amendment shall be effective on the first day of the month following San Antonio City Council's approval of this Lease Amendment.

EXECUTED this 03rd day of July, 2007.

ATTEST:

[Signature]
City Clerk



LESSOR:
CITY OF SAN ANTONIO, TEXAS
a Texas Municipal Corporation

By: [Signature]
Sheryl Sculley, City Manager

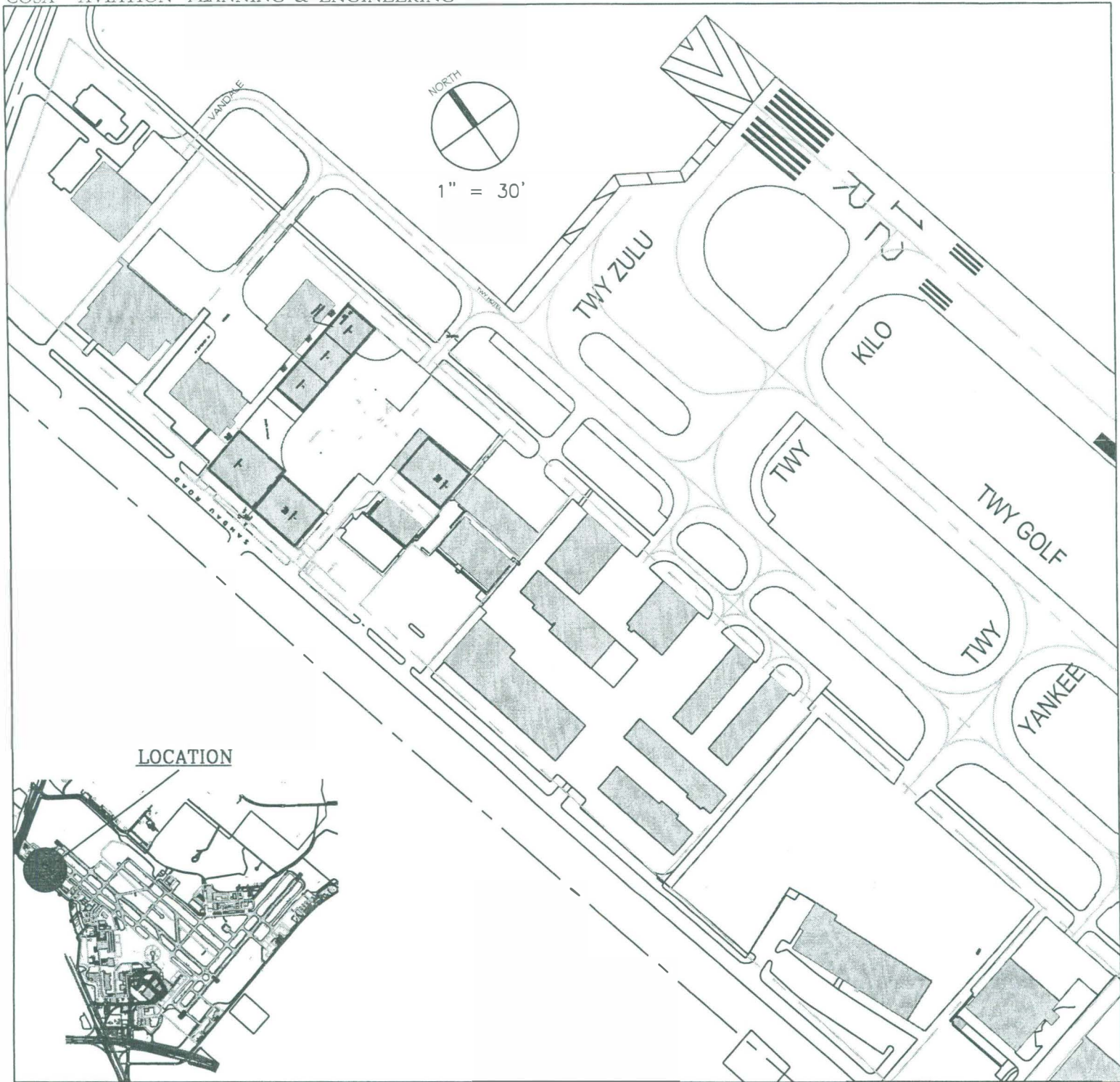
LESSEE:
SECURITY AIRPARK, INCORPORATED
a Texas Corporation

By: [Signature]
Leif Zars, President

Federal Tax Identification # 74-1989372

APPROVED:

By: [Signature]
City Attorney



CITY OF SAN ANTONIO
AVIATION DEPARTMENT

SAN ANTONIO INTERNATIONAL AIRPORT SECURITY AIRPARK ANNEX SITE MAP

EXHIBIT-2
FOR PREMISES LEASED

at SAN ANTONIO
INTERNATIONAL AIRPORT

LEASE No. 000 _____

**EXHIBIT 3
LAND AND BUILDING RATES
2007**

Hangar	Building & Ground Sq.Ft. ¹	Cost/ Sq. Ft.	Annual Rental	Monthly Rental	Annual Common Area Rent
#1 (Bldg. 1034)	12,881	\$2.90	\$37,354.90	\$3,112.91	
<i>Ground</i>	24,606	\$0.40	\$9,842.40	\$820.20	\$612.33
#2 (Bldg. 1033)	14,300	\$3.05	\$43,615.00	\$3,634.58	
<i>Ground</i>	26,601	\$0.40	\$10,640.40	\$886.67	\$661.98
#3 (Bldg. 1032)	7,384	\$1.66	\$12,257.44	\$1,021.45	
<i>Ground</i>	6,400	\$0.40	\$2,560.00	\$213.33	\$159.27
#4 (Bldg. 1031)	7,120	\$1.64	\$11,676.80	\$973.06	
<i>Ground</i>	6,400	\$0.40	\$2,560.00	\$213.33	\$159.27
#5 (Bldg. 1030)	6,400	\$2.14	\$13,696.00	\$1,141.33	
<i>Ground</i>	10,248	\$0.40	\$4,099.20	\$341.60	\$255.03
#6 (Bldg. 1035)	12,000	\$3.69	\$44,280.00	\$3,690.00	
<i>Ground</i>	31,227	\$0.40	\$12,490.64	\$1,040.89	\$777.08
Total Bldg. Area	60,085	varies	\$162,880.14	\$13,573.33	
Total Ground Area	105,482	\$0.40	\$42,192.64	\$3,516.02	\$2,624.96

¹Does not include Fuel Area of 2,200 sq.ft.

**EXHIBIT 3
LAND AND BUILDING RATES 2007**

All Security AirPark Premises	Building & Ground Sq.Ft. ¹	Cost/ Sq. Ft.	Annual Rental ¹	Monthly Rental ¹
Annex	60,085	\$1.64-\$3.69	\$162,880.14	\$13,573.35
<i>Ground</i>	186,430	\$0.40	\$74,572.00	\$6,214.33
Tract A	10,963	\$2.6814	\$29,396.19	\$2,449.68
<i>Ground</i>	97,330	\$0.3279	\$31,914.51	\$2,659.54
Tract B	126,490	\$0.9810	\$124,086.69	\$10,340.56
<i>Ground</i>	325,251	\$0.3279	\$106,649.80	\$8,887.48
Tract C				
<i>Ground (only)</i>	5,124	\$0.3279	\$1,680.16	\$140.01
Tract D (U.S. Customs)				
<i>Ground (only)</i>	31,374	\$0.3190	\$10,008.31	\$834.03
GRAND TOTAL			\$541,187.79	\$45,098.98

¹Includes Fuel Area & Common Area

EXHIBIT 4

Security AirPark, Inc.
Expense Allocation Breakdown
Property Management Office

Revised Nov. 2006

Description	Total	Fuel	SAP	ANX	FAA	14K	10K	SAPA	CTY	USCS	
			4%	2%	2%	1%	12%	6%	20%	50%	3%
Mgr. Salary	\$45,000.00	\$1,800.00	\$900.00	\$900.00	\$450.00	\$5,400.00	\$2,700.00	\$9,000.00	\$22,500.00	\$1,350.00	
Mgr. W/C Ins	\$270.00	\$10.80	\$5.40	\$5.40	\$2.70	\$32.40	\$16.20	\$54.00	\$135.00	\$8.10	
Mgr. Med Ins.	\$2,659.68	\$106.39	\$53.19	\$53.19	\$26.60	\$319.16	\$159.58	\$531.94	\$1,329.84	\$79.79	
Mgr. FICA	\$2,604.00	\$104.16	\$52.08	\$52.08	\$26.04	\$312.48	\$156.24	\$520.80	\$1,302.00	\$78.12	
Mgr. FUTA	\$336.00	\$13.44	\$6.72	\$6.72	\$3.36	\$40.32	\$20.16	\$67.20	\$168.00	\$10.08	
Mgr. TEC	\$96.30	\$3.85	\$1.93	\$1.93	\$0.96	\$11.56	\$5.78	\$19.26	\$48.15	\$2.89	
Mgr. Medicare	\$609.00	\$24.36	\$12.18	\$12.18	\$6.09	\$73.08	\$36.54	\$121.80	\$304.50	\$18.27	
P/R Admin. Fee	\$1,200.00								\$1,200.00		
C3A Office Rent	\$2,133.84	\$85.35	\$42.68	\$42.68	\$21.34	\$256.06	\$128.03	\$426.77	\$1,066.92	\$64.02	
Telephone	\$916.17	\$36.65	\$18.32	\$18.32	\$9.16	\$109.94	\$54.97	\$183.23	\$458.09	\$27.49	
Utilities/Water	\$6,191.64							\$6,005.89	\$185.75		
Utilities/Electric	\$1,709.46	\$68.38	\$34.19	\$34.19	\$17.09	\$205.14	\$102.57	\$341.89	\$854.73	\$51.28	
Office Supplies	\$2,025.66	\$81.03	\$40.51	\$40.51	\$20.26	\$243.08	\$121.54	\$405.13	\$1,012.83	\$60.77	
Office Maint	\$1,358.17	\$54.33	\$27.16	\$27.16	\$13.58	\$162.98	\$81.49	\$271.63	\$679.09	\$40.75	
Total	\$67,109.92	\$2,388.73	\$1,194.37	\$1,194.37	\$597.18	\$7,166.19	\$3,583.10	\$17,949.55	\$31,244.89	\$1,791.55	

SECURITY AIRPARK, INC. ANNEX

SUBLEASE AGREEMENT

This Sublease Agreement ("Sublease") is made this 18th day of January 2008 ("Effective Date") and is entered into by and between:

SECURITY AIRPARK, Inc. ("Lessee")
477 C-3A Sandau Road
San Antonio, Texas, 78216

and

Seraph Executive Air Services, LLC. (Sublessee)

70 N.E. Loop 410, Suite 800

San Antonio, Texas 78216-5843

Phone: 210-841-8700

WITNESSETH:

FOR VALUE RECEIVED, and in consideration of the covenants, agreements, reservations and stipulations herein contained, Lessee does hereby DEMISE and LET unto Sublessee and Sublessee does hereby take, rent and hire from Lessee, for the term and upon the conditions hereinafter set forth, the "Demised Premises" together with the non-exclusive use of the appurtenances, rights, privileges and easements pertaining to the Demised Premises.

Lessee and Sublessee covenant and agree as follows:

Definitions and Basic Provisions

Lessor: The City of San Antonio

Lessee: Security Air Park Inc. (or its assigns)

Sublessee: As identified above.

Secondary Sublessee: Any party subleasing from Sublessee

1.

8/14/07

Master Lease: That portion of a certain Amendment to the Master Lease between Security Air Park Inc. and the City of San Antonio Dated June 28, 2007 covering the Security AirPark, Inc. Annex and only as it applies to the Annex, and further identified as Ordinance No. 2007-06-28-0779.

Common Area: That portion of the Annex that is not directly under a building or assigned as ramp space or parking area to an individual hangar - that portion that is reserved for the use and benefit of all.

Premises: The entire area and buildings of the Annex.

Demised Premises: Those facilities located at 411 and 447 Sandau Road, San Antonio, Texas 78216 and more particularly described as Hangar No.6 consisting of 12,000 square feet of Building area and 19,226.6 square feet of assigned ramp and parking area more particularly identified on Exhibit "A" attached hereto.

Lease Term: A period of 144 Months commencing June 28, 2007, and ending at the term of the Master Lease June 30, 2019 unless noted otherwise hereafter: _____.

AGREED CONDITIONS

BASIC RENTAL: The Basic Rental shall be the exact same amount as the City charges Lessee under the Master Lease for the Demised Premises, which at this time is \$5,507.97 Monthly.

MAINTENANCE BUDGET FEE: This shall be adjusted from time to time predicated upon the annual common area maintenance cost. Sublessee's portion of this budget shall be in direct proportion of the Sublessee's total building, assigned ramp and parking area square footage as stated above when compared to the square footage of all of the buildings, assigned ramp and assigned parking areas in the Annex. Predicated upon the present Maintenance Budget of \$10,000.00 per year for Sublessees located at 447 Sandau Road and \$14,000.00 for Sublessees located at 411 Sandau Road, this amounts to \$592.08 due Monthly by Sublessee.

PERFORMANCE and PAYMENT BOND:

Sublessee shall either deposit cash herewith or deliver to the Lessee on or before the execution of this Sublease Agreement and shall keep in force throughout the term hereof either an irrevocable letter of credit in favor of Lessee drawn upon a bank satisfactory to Lessee or a surety bond payable to Lessee.

The foregoing shall be in form and content satisfactory to Lessee, shall be conditioned on satisfactory performance of all terms, conditions and covenants contained herein during the term hereof and shall stand as security for payment by Lessee of all, valid claims by Lessee 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 cash deposit or the irrevocable letter of credit or surety bond to be delivered by Sublessee to Lessee or before the date of the execution of this Lease Agreement shall be six times the monthly total of the rental. The amount of the irrevocable letter of credit or surety bond or cash may be adjusted as necessary so that such amount shall at all times equal at least one-half (1/2) of the total annual rental payable by Sublessee to Lessee hereunder. For Tenants renewing their current Subleases at Security Air Park at the Annex, the amount for this bond may be paid monthly during the term of this sublease at the rate of \$58.58, (or as may be adjusted periodically as Lessee's bond cost may reflect, included with their normal rent payment; or cash payment of \$6,158.63 tendered herewith.

PAYMENTS DUE: All payments are due in advance on or before the fifth of each month at the offices of Lessee.

LATE CHARGES: Additional Rent and Late Charges: Without limiting or waiving the rights and remedies of Lessee upon the occurrence of an event of default as herein provided, Sublessee agrees to pay to Lessee, on demand and as additional rent, an amount equal to interest at ten percent (10%) per annum, all amounts due from Sublessee under this Lease from the due date thereof until paid plus an additional clerical fee of \$10.00 for each late payment.

UTILITIES: Reasonable water service is provided to all hangars and is charged to Tenants at its cost in the Maintenance Budget. All hangars are to provide for their own electrical service.

RIGHT TO CANCEL SUBLEASE: Sublessee is herewith given the right to cancel this sublease at the end of each 5 year increment from date of commencement of this sublease by giving not less than 120 days written notice to Lessee prior to the expiration of each 5 year period of this sublease. Failure to provide timely written notice as called for herein will automatically continue this sublease as scheduled.

PROVISIONS CONSTITUTING SUBLEASE: This sublease is subject to all the terms and conditions of the Master Lease and must be approved by Lessor. Sublessee shall not commit or permit to be committed any act or omission which shall violate any term or condition of the Master Lease.

Lessee hereby expressly reserves unto itself the right to non-exclusive use of the appurtenances, rights, privileges and easements (including Common area) reasonably necessary to the use and occupancy by Lessee of the portion of the buildings, improvements and facilities contained in the Annex, all of which shall be in cooperation and harmony with the intended use of the common areas. Such intended use shall be to not unduly hamper the rights of all to use the common areas and that vehicular and aircraft passage shall be accommodated as necessary.

FAILURE OF LESSEE TO PERFORM: If for any reason, Lessee shall not be able to continue to perform on this agreement as Lessee, then Lessee gives its successor or assigns the right as its successor to stand in its place and administer the Annex portion of the Master Lease and oversee the operation of leased premises at Security Air Park.

DEFAULTS AND REMEDIES

SUBLEESSEE'S DEFAULTS: The following are events of default by Sublessee under this Lease:

- (a.) Sublessee's failure to pay Rental or provide a performance payment bond, when due, if such failure shall continue for a period of ten (10) days after Lessee has provided Sublessee written notice, registered or certified mail postage prepaid in accordance with NOTICES provisions contained herein of such failure.
- (b.) The failure by Sublessee to comply with any other material term, provision or covenant of this Lease or the Master Lease and such failure shall continue for thirty (30) days after written notice thereof to Sublessee; provided, however, that no event of default shall have occurred if such failure is of a nature that may not be cured with such thirty-day period, but Sublessee commences to cure such failure within such thirty-day period and thereafter completes such cure with reasonable diligence.
- (c.) Sublessee's insolvency, or transfer in fraud of creditors, or assignment for benefit of creditors.
- (d.) Sublessee's filing of a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any state thereof, or the adjudication of Sublessee as a bankrupt or insolvent in proceedings filed against Sublessee hereunder.
- (e.) The appointment of a receiver for all or substantially all of the assets of the Sublessee, which receivership is not dismissed within ninety (90) days after such appointment.

Sublessee's failure to pay the Maintenance Budget Fee and any and all dues and fees to the Lessee when due.

LESSEE'S OPTIONS: Upon the occurrence of any event of default, Lessee may do any one or more of the following without any notice or demand whatsoever:

(a) Terminate this Lease, in which event Sublessee shall immediately surrender the Demised Premises to Lessee and, if Sublessee fails to do so, Lessee may, without prejudice to any other remedy which Lessee may have, enter upon and take possession of the Demised Premises and expel or remove Sublessee and any other person who may be occupying or possessing such Demised Premises, by force if necessary, without being liable for prosecution or any claim of damages therefore. Sublessee agrees to pay to Lessee on demand, as damages, a sum of money equal to the total of: (1) the cost of recovering possession of the Demised Premises, (ii) the unpaid rent accrued at the time of termination, (iii) interest on the delinquent funds, (liii) any other sum of money and damages owed by Sublessee to Lessee.

(b) Enter upon the Demised Premises, by force if necessary, without being liable for prosecution or any claim for damages therefore, and do whatever Lessee is obligated to do under the terms of this Lease. Sublessee agrees to reimburse Lessee for any reasonable expenses Lessee may incur in thus affecting compliance with Sublessee's obligations under this Lease.

SURRENDER OF PREMISES: Upon expiration or any termination of this Sublease, including termination due to any default, Sublessee shall quit and peacefully surrender the Premises to Lessee, and Lessee, upon and at any time after such termination, may, without further notice, enter and repossess the Premises, and the improvements thereon, either by force, or otherwise, without being liable to any prosecution and without civil or criminal liability.

USE OF DEMISED PREMISES AND COMMON AREA

BUILDING ALTERATIONS: Sublessee is given the right to carry out building alterations subject however to the terms and conditions imposed on Lessee in the Master Lease. All submittals for alterations shall be submitted through Lessee for approval by Lessor.

OWNERSHIP OF ALTERATIONS: All alterations, physical additions or improvements when made to the Demised Premises by Sublessee shall at once become the property of Lessor and shall be surrendered to Lessor upon termination of this Sublease, but this clause shall not apply to movable trade fixtures, furniture or equipment of Sublessee. Notwithstanding anything to the contrary contained herein, if mutually agreeable to both Lessee and Sublessee, Lessee may, at its own expense, upgrade certain portions of the Demised Premises during the Lease Term.

BUILDING MAINTENANCE: Sublessee agrees to assume all building maintenance and repair costs on the Demised Premises imposed on Lessee by the Master Lease. Failure of Sublessee to effect such repairs or maintenance within a reasonable time period shall constitute an event of Default.

INSPECTION ACCESS: Lessor and Lessee reserve the right to enter the Leased Premises at any reasonable time for the purpose of inspecting same or to verify that fire, safety, sanitation, regulations and other provisions contained in this Sublease Agreement are being adhered to by Sublessee.

SIGNS: Sublessee shall erect no signs and shall distribute no advertising matter upon airport premises without the written consent of Lessee's Director of Aviation, which consent will not be unreasonably withheld or delayed.

NUISANCE: Sublessee will conduct its business and control its agents, employees and invitees in such a manner as not to create any nuisance or unreasonably interfere with, or disturb other Sublessees, Secondary Sublessees, Lessee, invited guests or suppliers. Aircraft engine run up is specifically prohibited in the Common Area.

QUIET ENJOYMENT: Lessee hereby covenants that Sublessee, upon paying rent as herein reserved and performing all covenants and agreements herein contained on the part of Sublessee, shall and may peacefully and quietly have, hold and enjoy the Demised Premises. Sublessee, hereby covenants not to interfere with Lessee and other Sublessees peaceful and quiet enjoyment of their premises.

USE OF DEMISED PREMISES: Sublessee shall use the Premises for airport related uses allowed by the Master Lease. Sublessee hereby agrees to use the Premises for the following purposes: Storage and Maintenance of a private aircraft.

Sublessee shall not use, or permit use of, the Premises for other purposes without first obtaining the consent in writing of Lessee and Lessor. Sublessee shall not do or suffer anything to be done upon the Premises or the Common Areas which shall be noxious or offensive, cause any injury to the Premises or the Common Areas, increase the cost of insurance on the Premises or the Common Areas, or violate any zoning, building, health, safety or other code or ordinance of any federal, state or local unit of government (herein called "Laws") which has jurisdiction over the Premises or the Common Areas and Sublessee shall hold Lessee and Lessor harmless against any and all costs, expenses, losses or damages incurred, suffered or imposed on Lessee or Lessor as a result of any use of the Premises or the Common Areas by Sublessee, its Secondary Sublessee, their agents, employees, guests, customers, licensees and concessionaries.

COMMON AREA: Sublessee, and its Secondary Sublessee, their agents, employees, guests, customers, licensees and concessionaires, shall have the non-exclusive right to use the Common Areas as constituted from time to time, such use to be in common with Lessee or Sublessee, other Sublessees or Secondary Sublessees and other persons permitted by Lessee or Sublessee to use the same, and subject to such reasonable rules and regulations governing use as Lessee or Sublessee may from time to time prescribe.

CLOSURE FOR REPAIRS: Lessee may temporarily close any part of the Common Area for such periods of time as may be reasonably necessary to prevent the public from obtaining prescriptive rights or to make repairs or alterations provided that Sublessee and Secondary Sublessees have and continues to have uninterrupted and reasonable access to the Demised Premises.

COMMON AREA MAINTENANCE: It is specifically understood and agreed hereunder that Security AirPark, Inc. shall pay all Common Area Expenses from the designated annual common area maintenance budget account.

COMMON AREA EXPENSES: "Common Area Expenses" shall mean expenses and assessments of any nature levied and assessed against the Common Area, or assessed against Lessee as a result of the Common Area, all sums expended in respect of costs for maintenance, operation and supervision of the Common Area, including, without limitation, costs of resurfacing and restriping the driveway area; repainting, cleaning, sweeping and other janitorial services; policing; purchase, construction and maintenance of refuse receptacles, planting and landscaping; directional signs and other markers; lighting and other utilities; installing, operating and maintaining identification signs; premiums on public liability and property damage insurance; and all other costs necessary for the maintenance and operation of the Common Area.

COMMON AREA FUELING: Sublessee as well as their Secondary Sublessee shall be directly financially responsible for any and all damage, pollution, contamination, fire, explosion, injuries or death resulting from any fueling activities to any aircraft directly or indirectly under their control or supervision on the common areas or assigned ramp area of the Annex. Fueling inside hangars is prohibited.

SUBLETTING

BY SUBLESSEE: Sublessee shall not assign or sublease all or a portion of the Premises to any other party without the prior written consent of Lessee and Lessor which consent shall not be unreasonably withheld. All such requests shall be submitted through Lessee for review of compliance with the terms of the Master Lease prior to submittal to Lessor. In the event that Sublessee attempts or purports to assign or sublease all or part of the Premises to any other party in violation of the terms of this section, such action shall constitute a default under the terms of this Sublease entitling Lessee to exercise all remedies contained herein, provided at law or in equity, or in the Master Lease.

INSURANCE REQUIREMENTS: Any insurance coverage required of Lessee in the Master Lease, shall likewise be required of Sublessee and any Secondary Sublessees, as applicable.

WORKERS COMPENSATION: Statutory Coverage for employees is required per Master Lease.

AUTO LIABILITY: Is required of all vehicles entering the Common Area in amounts listed in Master Lease.

FIRE AND CASUALTY: Lessee and Sublessee shall procure and maintain during the term of this lease a policy with extended coverage casualty insurance covering the risks specified and in the amounts stated in the Master Lease, to the extent such obligation is imposed upon Lessee and Sublessee under the terms of the Master Lease.

GENERAL LIABILITY: Lessee and Sublessee shall procure and maintain during the term of this lease policies of general public liability insurance with limits and coverage specified for the Lessee and Sublessee in the Master Lease.

PRODUCT LIABILITY: In the event Sublessee or Secondary Sublessee produces products on the Demised Premises, Product Liability Insurance will be required in accordance with the Master Lease.

INDEMNITY: Sublessee covenants and agrees to **FULLY INDEMNIFY** and **HOLD HARMLESS** Lessor and Lessee, the elected officials, employees, officers, directors, volunteers and designated management representatives of the Lessor and Lessee individually and 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 or nature, including but not limited to, personal or bodily injury, death and property damage, made upon the Lessor or Lessee directly or indirectly arising out of, or resulting from or related to Sublessee's activities under this Sublease Agreement, including any acts or omissions of Sublessee, any agent, officer, director, representative, employee, consultant, contractor or subcontractor of Sublessee and their respective officers, agents, employees, directors, and representatives while in the exercise of performance of the rights or duties under this Sublease Agreement, all without however, waiving any governmental immunity available to the Lessor or Lessee under Texas law and without waiving the 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 THE LESSOR OR LESSEE, THE ELECTED OFFICIALS, EMPLOYEES, OFFICIERS, DIRECTORS AND DESIGNATED MANAGEMENT REPRESENTATIVES OF LESSOR AND LESSEE, UNDER THIS SUBLEASE AGREEMENT. The provisions of this INDEMNITY are solely for the benefit of the parties hereto and the list of additional insureds set forth herein and not intended to create or grant any rights, contractual or otherwise, to any other person or entity. Sublessee shall promptly advise the Lessor and Lessee in writing of any claim or demand against the Lessor or Lessee or Sublessee known to Sublessee related to our arising out of Sublessee's activities under this Sublease Agreement and shall see to the investigation and defend of such claim or demand at Sublessee's cost. The Lessor and Lessee shall have the right, at its option and at its own expense to participate in such defense without relieving Sublessee of any of its obligations. It is the EXPRESS INTENT of the parties to this Sublease Agreement, that the INDEMNITY is and INDEMNITY extended by Sublessee to INDEMNITY, PROTECT and HOLD HARMLESS, the Lessor and Lessee from the consequences of the Lessor and Lessee's OWN NEGLIGENCE. Sublessee further AGREES TO DFEND, AT ITS OWN EXPENSE and ON BEHALF OF THE LESSOR AND LESSEE AND IN THE NAME OF THE LESSOR AND THE LESSEE, any claim or litigation brought against the Lessor or Lessee and their elected officials, employees, officers, directors, volunteers and designated management representatives, in connection with any such injury, death or damage for which this INDEMNITY shall apply.

NOTIFICATION: Sublessee, Lessee, and Lessor shall give each other prompt and timely notice of any claim made, or suit instituted and received by them, which in any way, directly or indirectly contingently or otherwise, affects or might affect either party. The provision of this section shall survive the expiration or early termination of this Lease Agreement.

PROCEEDS: The proceeds for any such insurance, paid on account of fire, explosion or other damage shall be used to defray the cost of repairing, restoring or reconstructing said improvements, as necessary.

GENERAL CONDITIONS

PARTIAL INVALIDITY: If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the term of this Lease, then in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to this Lease that, in lieu of each clause or provision that is illegal, invalid or unenforceable, there will be added as a part of this Lease a clause or provision that is as similar to the terms of such illegal, invalid or unenforceable clause or provision as may be possible and yet be legal, valid and enforceable.

HEADINGS: The caption of each part hereof is added as a matter of convenience only and shall be considered to be of no effect in the construction of any provision or provisions in this Lease.

AGREEMENTS IN WRITING: This Lease contains the entire agreement between Lessee and Sublessee and supersedes all prior agreements, representations, understandings, communications and promises, whether written oral. There are, and were, no agreements, representations, understandings, communications or promises pertaining hereto not incorporated in writing herein. This Sublease shall not be altered, waived, amended or extended otherwise than as provided herein, except as may be done in writing signed by the proper authority.

WAIVER: Failure of Lessee or Sublessee to insist, in any one or more instances, upon performance of any term, covenant or condition of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of such term, covenant, condition or option, but the same shall continue and remain in full force and effect. The receipt by Lessee of rents with knowledge of a breach of any of the terms, covenants or conditions of this Lease to be kept or performed by Sublessee shall not be deemed to have waived any provision of this Lease unless expressed in writing and signed by Lessee and Sublessee as the case may be.

REMOVAL OF PROPERTY: Upon expiration or earlier termination of this Lease Sublessee shall promptly vacate the Demised Premises and remove all of its trade fixtures, personal property and improvements. All of Sublessee's trade fixtures, personal property and improvements remaining in the Demised Premises or the buildings, improvements and facilities constituting a part of the Demised Premises for more than ten (10) days after the expiration or earlier termination of this Lease, shall be deemed conclusively to have been abandoned by Sublessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessee without notice or obligation to compensate Sublessee or to account therefore.

BROKERAGE COMMISSIONS: Sublessee warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease, and Sublessee agrees to indemnify Lessee and hold Lessee harmless from and against any and all costs, expenses or liabilities for commissions or other compensation or charges claimed by or awarded to any broker or agent with respect to this Sublease claiming by, through or under Sublessee, but not otherwise.

Lessee warrants that it has had no dealings with any broker or agent in connection with the negotiation or execution of this Lease, and Lessee agrees to indemnify Sublessee and hold Sublessee harmless from and against any and all costs, expenses or liabilities for commissions or other compensation or charges claimed by or awarded to any broker or agent with respect to this Lease claiming by, through or under Lessee, but not otherwise.

JOINT AND SEVERAL LIABILITY: If there is more than one Sublessee, the obligations hereunder imposed upon Sublessee shall be joint and several. If there is a guarantor of Sublessee's obligations, the obligations imposed on Sublessee shall be joint and several obligations of Sublessee and guarantor. Lessee need not first proceed against the Sublessee before proceeding against the guarantor. The guarantor shall not be released from its guaranty for any reason whatsoever, including amendments to the Lease, waivers of default of Sublessee, failure to give guarantor any notices to be given to Sublessee or release of any party liable for payment of Sublessee's obligations under this Lease.

BINDING EFFECT: The provisions of this Lease shall be binding upon and inure to the benefit of Lessee and Sublessee, respectively, and to their respective heirs, personal representatives, successors and assigns.

NOTICES: Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing (by mail, telegram or courier) and delivered to the parties at the location specified in this Sublease. Notices shall be deemed given on the

earlier to occur of, (a) actual receipt by the party to whom the notice is directed, or (b) three (3) business days after deposit of the notice in the United States Postal Service, properly packaged, posted and addressed, by either registered or certified mail, return receipt requested, to the address set forth above. In the event that either party changes an address during the term of this Agreement, such change shall not be binding on the other party unless the party changing its address gives proper notice as above to the other party as to the change of address.

COUNTERPARTS: This Lease may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which together shall constitute one and the same Lease.

VENUE: This Lease shall be governed by, and construed in accordance with the laws of the State of Texas. Lessee and Sublessee agree that venue for all actions or causes of action relating to this Lease shall be in Bexar County, Texas.

This Sublease was executed on this 18th day of January 2008.

LESSEE - Security Air Park, Inc.

Name: Leif Zars

Title: Owner/President

Signature: 

Date: 1/28/08

SUBLESSEE: Seraph Executive Air Services, LLC.

Name: FELIPE JIMENEZ

Title MANAGER

Signature: 

Date: 1-18-08

APPROVED: CITY OF SAN ANTONIO DEPT. OF AVIATION

BY Mark H. Webb

Title: Aviation Director

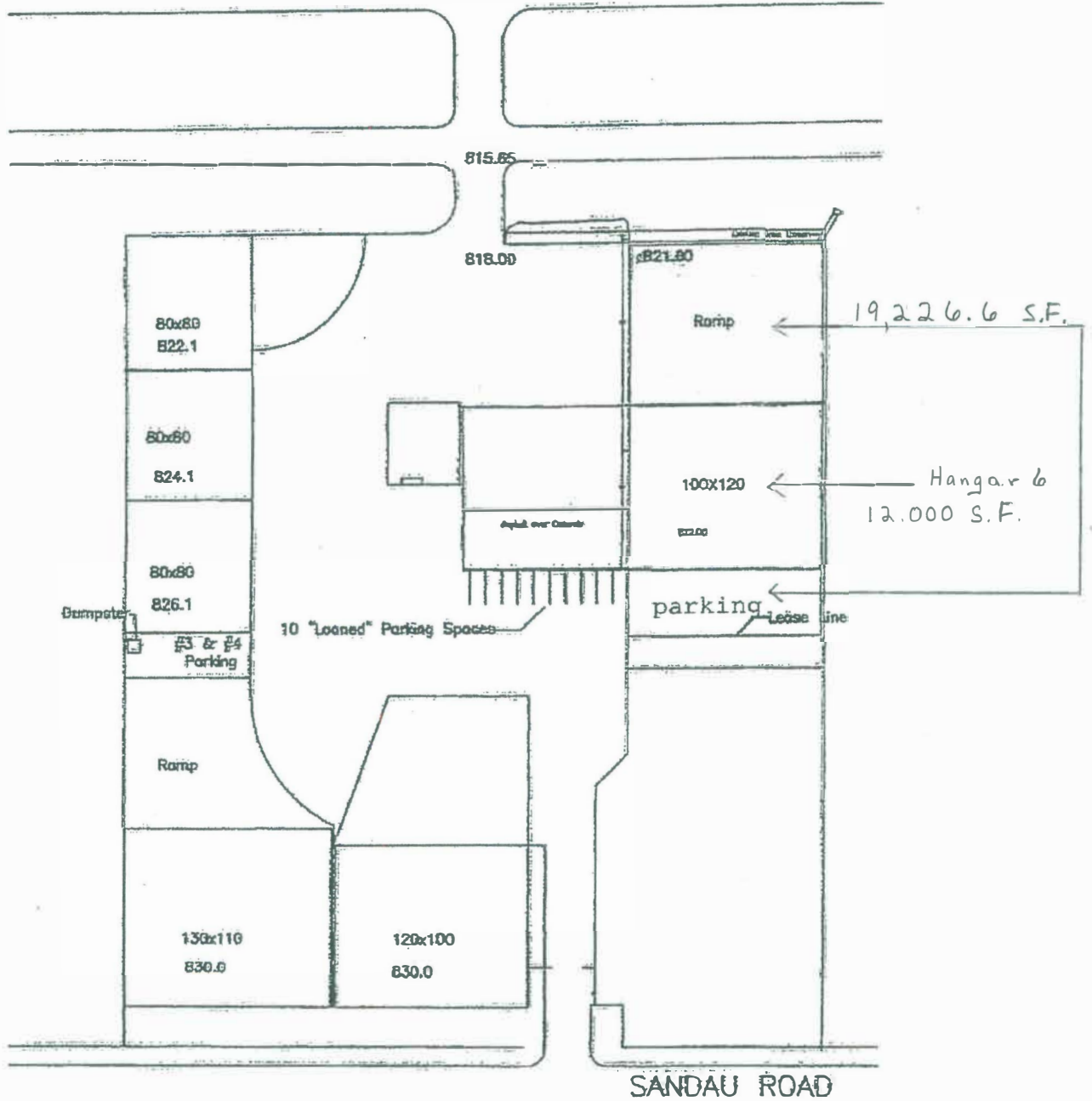
D.S. Signature: Mark H. Webb

Date: 8/9/08

ATTEST: Jessica M. Reed
City Clerk



NOTE: This Sublease shall not be binding upon the parties until executed by all parties above and approved by The City of San Antonio.



SECURITY AIR PARK
ANNEX

12/27/06
EXHIBIT A