

1 letter of intent dated September 16, 2013 (the “letter of intent”), in which each party
2 committed, subject to legislative approval in the case of the City, to make certain
3 contributions towards the Project, as defined below; and

4 WHEREAS, the letter of intent stated that the City’s and State’s contributions
5 would be in exchange for certain commitments made by the Company; and

6 WHEREAS, pursuant to the LEDA Ordinance, the Company has submitted to the
7 Council and the Albuquerque Development Commission (the "Commission") an
8 application (the "Application") requesting certain economic development assistance
9 consisting of a credit toward the rent payable for its facility, which is leased from the
10 City’s Aviation Department, in exchange for certain employment commitments (the
11 "Project"); and

12 WHEREAS, the Act and the LEDA Ordinance require that the City and the
13 Company enter into a project participation agreement (the “Project Participation
14 Agreement”) meeting the requirements of the Act and the LEDA Ordinance; and

15 WHEREAS, City staff has worked with the Company to prepare, and has
16 negotiated the terms of, a Project Participation Agreement and a security agreement
17 (the “Security Agreement” and, collectively with the Project Participation Agreement, the
18 “Agreements”) that will govern the relationship between the City and the Company with
19 respect to the Project; and

20 WHEREAS, the forms of the proposed Agreements have been filed with the City
21 Clerk and presented to the Council.

22 WHEREAS, the proposed Agreements contain the provisions required by the Act
23 and the LEDA Ordinance and, among other things, provide that the City will obtain a
24 security interest in certain assets of the Company to secure the Company's obligations
25 under the Agreements;

26 WHEREAS, the Application included a cost-benefit analysis with respect to the
27 Project obtained by the City on the basis of information provided to the City by the
28 Company, which cost-benefit analysis shows that the City will recoup the value of its
29 contribution within ten (10) years; and

30 WHEREAS, the Application demonstrates the benefits that will accrue to the
31 community as a result of the donation of public resources and demonstrates that the
32 Company, by completing the Project, will be making a substantive contribution to the
33 community, as required by the LEDA Ordinance; and

[+Bracketed/Underscored Material+] - New
[-Bracketed/Strikethrough Material-] - Deletion

1 WHEREAS, the Commission has considered the Project and the proposed
2 Agreements and has recommended that the Council adopt the Company's proposal;
3 and

4 WHEREAS, the total amount of public money expended and the value of credit
5 pledged in each fiscal year in which money is expended by the City for the Project (and
6 any other approved projects) pursuant to the Act does not and will not exceed five
7 percent of the general fund expenditures of the City in such fiscal year; and

8 WHEREAS, the City anticipates that the State will transfer to it, for subsequent
9 transfer to or on behalf of the Company pursuant to an intergovernmental agreement
10 between the City and the State, certain funds of the State that are available for the
11 Project; and

12 WHEREAS, after having considered the Application and the Agreements, the
13 Council has concluded that the economic and other benefits of the Project to the City
14 will be substantial, that it is desirable and necessary at this time to authorize the City to
15 enter into the Agreements, and that the City's provision of the assistance contemplated
16 by the Project Participation Agreement will constitute a valid public purpose under the
17 Act; and

18 WHEREAS, there has been published in the Albuquerque Journal, a newspaper
19 of general circulation in the City, public notice of the Council's intention to adopt this
20 Ordinance, which notice contained certain information pertaining to the Project and was
21 published at least fourteen (14) days prior to hearing and final action on this Ordinance;

22 BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY
23 OF ALBUQUERQUE:

24 Section 1. RATIFICATION. All actions not inconsistent with the provisions of
25 this Ordinance previously taken by the Council and the officials of the City directed
26 toward the provision of economic development assistance in connection with the Project
27 be approved and the same hereby are ratified, approved and confirmed.

28 Section 2. GOALS AND OBJECTIVES. The goals and objectives of the Project
29 are, as set forth in the Project Participation Agreement, to create and support an
30 economic development project that fosters, promotes and enhances local economic
31 development efforts and that provides job growth and career opportunities for
32 Albuquerque-area residents and otherwise makes a substantive contribution to the
33 community.

[+Bracketed/Underscored Material+] - New
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1 Section 3. THE PROJECT. The Project will consist of the continued operation
2 and expansion of employment at a facility located at Albuquerque International Sunport
3 at which the Company will conduct aircraft assembly, administrative and managerial
4 operations, including occupancy of the facility by the Company, the hiring of up to 100
5 employees (in addition to existing base employment of 175 employees) in accordance
6 with the schedule set forth in the Project Participation Agreement, which employees will
7 be engaged in positions which will cross a wide range of skill levels from entry level to
8 managerial positions, and the maintenance of at least 248 employees through at least
9 December 31, 2018 and the maintenance of operations through at least December 31,
10 2023.

11 Section 4. FINDINGS.

12 (A) General. The Council hereby declares that it has considered all
13 relevant information presented to it relating to the Project and the Agreements and
14 hereby finds and determines that the provision of economic development assistance for
15 the Project is necessary and advisable and in the interest of the public and will promote
16 the public health, safety, morals, convenience, economy, and welfare of the City and its
17 residents.

18 Section 5. AUTHORIZATION AND APPROVAL OF THE PROJECT AND THE
19 AGREEMENTS. The City hereby approves the Project and the Agreements, which
20 provide, among other things, that the City will contribute to the Project up to \$238,200,
21 such amount to be payable in installments as additional employees are hired, and that
22 the City will administer and disburse to the Company funds totaling up to \$397,014 to be
23 received by the City from the State Economic Development Department, in exchange
24 for which the Company will complete the Project.

25 Section 6. AUTHORIZATION OF OFFICERS; APPROVAL OF DOCUMENTS.

26 (A) The form, terms, and provisions of the Agreements in the forms
27 presented to the Council are in all respects approved, authorized, and confirmed, and
28 the City shall enter into the Agreements in substantially the forms thereof, with only
29 such changes as are not inconsistent with this Ordinance or such other changes as may
30 be approved by supplemental resolution of the Council.

31 (B) The Council authorizes the Mayor or the Chief Administrative
32 Officer of the City to execute and deliver the Agreements in the name and on behalf of

1 the City, with only such changes therein as are not inconsistent with this Ordinance or
2 such changes as may be approved by supplemental resolution of the Council.

3 (C) The Mayor, Chief Administrative Officer, City Treasurer and City
4 Clerk are further authorized to execute, authenticate and deliver such certifications,
5 instruments, documents, letters and other agreements, and to do such other acts and
6 things, either prior to or after the date of delivery of the executed Agreements, as are
7 necessary or appropriate to consummate the transactions contemplated by the
8 Agreements.

9 (D) City officials shall take such action as is necessary in conformity
10 with the Act, the LEDA Ordinance and this Ordinance to effectuate the provisions of the
11 Agreements and carry out the transactions as contemplated by this Ordinance and the
12 Agreements, including, without limitation, the execution and delivery of any documents
13 deemed necessary or appropriate in connection therewith.

14 Section 7. SEVERABILITY. If any section, paragraph, clause or provision of this
15 Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or
16 unenforceability of that section, paragraph, clause, or provision shall not affect any of
17 the remaining provisions of this Ordinance.

18 Section 8. REPEALER. All by-laws, ordinances, resolutions, and orders, or
19 parts thereof, inconsistent with this Ordinance are repealed by this Ordinance but only
20 to the extent of that inconsistency. This repealer shall not be construed to revive any
21 by-law, ordinance, resolution, or order, or part thereof, previously repealed.

22 Section 9. RECORDING; AUTHENTICATION; PUBLICATION; EFFECTIVE
23 DATE. This Ordinance, immediately upon its final passage and approval, shall be
24 recorded in the ordinance book of the City, kept for that purpose, and shall be there
25 authenticated by the signature of the Mayor and the presiding officer of the City Council,
26 and by the signature of the City Clerk or any Deputy City Clerk, and notice of adoption
27 thereof shall be published once in a newspaper that maintains an office in, and is of
28 general circulation in, the City, and shall be in full force and effect five (5) days following
29 such publication.

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Mayor Richard J. Berry

CITY OF ALBUQUERQUE
Albuquerque, New Mexico
Office of the Mayor

INTER-OFFICE MEMORANDUM

January 17, 2014

TO: Ken Sanchez, President, City Council

FROM: Richard J. Berry, Mayor 

SUBJECT: Approving a Project Involving Eclipse Aerospace, Inc. Pursuant to the Local Economic Development Act (LEDA Project 13-1)

Attached for your consideration is an ordinance approving a Local Economic Development Act (LEDA) project for Eclipse Aerospace, Inc., and approving a Project Participation Agreement.

This project would allow the City to provide up to \$238,208 of assistance toward eligible partial rental costs for Eclipse Aerospace for facilities they lease at the Albuquerque Sunport. It also provides for the City to act as administrator for State funds appropriated for the same purpose (up to \$397,014), all pursuant to qualified expenses under the State and City's Local Economic Development Act. The maximum amount of partial lease assistance is for ten months. This is in exchange for Eclipse Aerospace's commitment to expand their operations in Albuquerque, increase employment by at least 100 over their baseline of 175, pay at least forty percent (40%) of monthly lease costs, and commit to operate for a minimum of ten years. The fiscal impact analysis shows City will recoup its investment within the ten years required by the City's LEDA ordinance.

This legislation will help advance an economic development project that fosters, promotes, and enhances local economic development efforts and provides job growth and career opportunities for area residents. The Albuquerque Development Commission reviewed the project on December 19, 2013, and recommended approval.

Your consideration and approval is requested.


Approving a Project Involving Eclipse Aerospace, Inc. Pursuant to the Local Economic Development Act (LEDA Project 13-1)


Recommended:



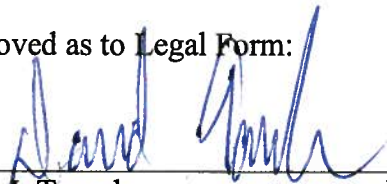
Gary Oppedahl, Director Date 1-24-14

Approved:



Robert J. Perry Date 1-29-14
Chief Administrative Officer 

Approved as to Legal Form:



David J. Tourek Date
City Attorney

FISCAL IMPACT ANALYSIS

TITLE: Approving a Project Involving Eclipse Aerospace, Inc Pursuant to the Local Economic Development Act R: O:
FUND 305

DEPT: Economic Devt.

- No measurable fiscal impact is anticipated, i.e., no impact on fund balance over and above existing appropriations.
- (If Applicable) The estimated fiscal impact (defined as impact over and above existing appropriations) of this legislation is as follows:

(SEE ATTACHED)

		Fiscal Years			
		2014	2015	2016	Total
Base Salary/Wages					-
Fringe Benefits at	35.54%	-	-	-	-
Subtotal Personnel		-	-	-	-
Operating Expenses			-		-
Property			-	-	-
Indirect Costs	2.50%	-	-	-	-
Total Expenses		\$ -	\$ -	\$ -	\$ -
[] Estimated revenues not affected					
[x] Estimated revenue impact					
	Revenue from program				0
	Amount of Grant		-	-	
	City Cash Match				
	City Inkind Match				
	City IDOH	-	-	-	-
Total Revenue		\$ -	\$ -	\$ -	\$ -

These estimates do not include any adjustment for inflation.

* Range if not easily quantifiable.

Number of Positions created

COMMENTS: Funding source is from Fund 305, Activity 7524010 (a.k.a.,the Economic Development Action Fund) for a Local Economic Development Act (LEDA) project. Funds will be used to pay a portion of Eclipse Aerospace's lease costs to the Aviation Dept for facilities at ABQ Sunport. Fiscal Impact Analysis conducted by UNM BBER shows positive fiscal impact to the City.

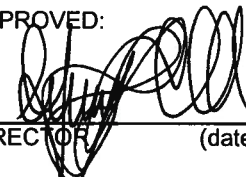
COMMENTS ON NON-MONETARY IMPACTS TO COMMUNITY/CITY GOVERNMENT:

This legislation will help advance an economic development project that fosters, promotes, and enhances job growth and career opportunities for area residents. The Albuquerque Development Commission reviewed the project on December 19, 2013, and recommended approval

PREPARED BY:


FISCAL ANALYST

APPROVED:


DIRECTOR (date) 1-24-14

REVIEWED BY:

 1-28-14
EXECUTIVE BUDGET ANALYST


BUDGET OFFICER (date) 1-26-14


CITY ECONOMIST

Cover Analysis

1. What is it?

This is an ordinance for the approval of a Local Economic Development(LEDA) Project for Eclipse Aerospace, Inc.

2. What will this piece of legislation do?

Eclipse Aerospace, Inc. ("EAI"), is requesting project assistance in the amount of up to \$238,208 from the City, and \$397,014 from the State (total \$635,222) of Local Economic Development Act ("LEDA") funds to finance a portion of the lease costs of their manufacturing and administrative facilities at the Albuquerque International Sunport.

3. Why is this project needed?

Eclipse Aerospace, Inc. ("Eclipse") plans to expand its existing Albuquerque operations for production of Very Light Jets. Eclipse currently leases 215,340 square feet from the City of Albuquerque Aviation Department at the Albuquerque International Sunport ("Sunport") for the assembly of its aircraft. Eclipse intends to consolidate its jet manufacturing production in the U.S., and desires to locate the majority of its full assembly line at the Sunport. This expansion is expected to generate approximately 100 new direct jobs in aircraft assembly and other managerial and administrative functions, in addition to the base employment of 175 in Albuquerque. Eclipse has requested the rental assistance to enable them to spend their capital on hiring new employees.

The Albuquerque Development Commission reviewed the project and recommended approval at their meeting on December 19, 2014.

4. How much will this cost and what is the funding source?

The cost to the City is a maximum of \$238,208. Funding source is from Fund 305, Activity 7524010 (a.k.a.,the Economic Development Action Fund) for a Local Economic Development Act (LEDA) project. Funds will be used to pay a portion of Eclipse Aerospace's lease costs to the Aviation Dept. for facilities at ABQ Sunport. Fiscal Impact Analysis conducted by UNM BBER shows positive fiscal impact to the City.

5. Is there a revenue source associated with this project? If so, what level of income is projected?

The State of New Mexico has committed up to \$397,014 in support of this project, which also would be used to partially offset the lease costs of Eclipse at the Sunport.

**ALBUQUERQUE DEVELOPMENT COMMISSION
Local Economic Development Act Hearing**

December 19, 2013

LEDA-13-1: Eclipse Aerospace, Inc. Project, 2013

REQUEST: Approval of \$635,222 in Local Economic Development Act funds is requested.

PROJECT SUMMARY: Eclipse Aerospace, Inc. (“EAI”), is requesting project assistance in the amount of up to \$635,222 of Local Economic Development Act (“LEDA”) funds to finance a portion of the lease costs of their manufacturing and administrative facilities at the Albuquerque International Sunport.

Eclipse Aerospace, Inc. (“Eclipse”) has informed the City of Albuquerque (the “City”) that it anticipates expanding its existing Albuquerque operations for production of Very Light Jets. Eclipse currently leases 215,340 square feet from the City of Albuquerque Aviation Department at the Albuquerque International Sunport (“Sunport”) for the assembly of its aircraft. Eclipse intends to consolidate its jet manufacturing production in the U.S., and desires to locate the majority of its full assembly line at the Sunport.

This expansion is expected to generate approximately 100 new direct jobs in aircraft assembly and other managerial and administrative functions, in addition to the base employment of 175 in Albuquerque. Eclipse has advised the City that the average annual salary for production technicians is \$45,000 plus benefits. Ultimately, and subject to availability and cost, Eclipse has indicated they would like to lease a total of 237,984 square feet in five facilities at the Sunport.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote and enhance local economic development efforts. Qualifying entities for these incentives include private manufacturing companies in targeted industry clusters, that seek to build companies in the City of Albuquerque that will provide job growth and career opportunities for Albuquerque area residents and that will otherwise make a substantive contribution to our community.

Eclipse Aerospace, Inc., which was founded in Albuquerque in 2009, has invested more than \$150 Million in its development through mid-2013. Eclipse’s expanded investment in New Mexico will further establish New Mexico as a world leader in aviation and aerospace research, development and manufacturing. In addition, Eclipse’s project will help strengthen and broaden the aviation/aerospace manufacturing cluster in the state.

Eclipse estimates the following economic impacts of the project:

- 2012 payroll was \$8.66 Million. Current annualized payroll (as of August 31, 2013) was \$13.75 Million.
- Average production salaries for production employees of \$45,000/year across production lines, plus a standard benefit package valued at 20-22% of salary. Average (mean) non-production (professional/technical/ administrative) salaries of approximately \$91,000/year.
- Numerous local jobs in ancillary employment and suppliers related to the economic impact of the project. Eclipse Aerospace spent \$1.61 Million with local suppliers in 2012 and projects 2013 payments to local suppliers may reach \$2.46 million (plus rent).

EAI has requested government assistance to offset the costs of their lease payments at the Sunport. The funding will allow EAI to use its own resources to hire more employees. The City's Aviation Department cannot simply offer to waive or reduce the rent payments, due to restrictions imposed by the Federal Aviation Administration. FAA rules require all tenants at airport facilities to pay market lease rates. The Aviation Department can allow for payments of rent on behalf of Eclipse. These rent payments are calculated at the rate of \$105,870 per month from November, 2013 to October, 2014.

This LEDA Project would allow EAI to earn rent credits for increases in employment levels. For each group of ten new full-time employees hired by Eclipse above the 175 baseline, Eclipse would earn one month's rent credit. The credit amount is equal to sixty percent (60%) of the actual rent cost (with Eclipse responsible for the remaining forty percent each month). The projected increase of 100 new employees will enable EAI to earn up to ten months of rent credit. The maximum amount that EAI could earn would be \$635,222.

The State Economic Development Department proposes to provide \$397,014 in funds to the City of Albuquerque to be used to offset costs of facility rental at the Sunport. These funds would be processed as a grant to the City through an Intergovernmental Agreement. The City would then include these funds, along with its own, under the Local Economic Development Act (LEDA) to provide the requested assistance to the Project. The City of Albuquerque proposes to contribute \$238,208 toward eligible rental costs that will benefit EAI. City funding will come from the Economic Development Action (EDAct) funds.

The financial assistance provided to the Project would be in return for EAI's expansion in Albuquerque, including total employment of approximately 275 persons (including the existing 175 employees) by December, 2015. Eclipse also commits to operating at its Albuquerque facilities for a minimum of ten years, as delineated in the Project Participation Agreement to be entered into by EAI and the City (the "PPA"). The project, terms of the City's incentives and the PPA are subject to City Council approval.

The Project is compatible with the surrounding land uses at the Albuquerque Sunport. There are no significant environmental impacts associated with this Project. The EAI facility itself is not expected to generate any required additional public expense for utility or transportation infrastructure.

The EAI Application as shown in Exhibit 1 provides details of the Project. Exhibit 2 delineates the required Project Participation Agreement (“PPA”) between EAI and the City. The PPA is summarized here in Section V.

As indicated in Exhibit 3, the project would have positive fiscal impacts on the City, based on the assumptions and methodology used by the University of New Mexico’s Bureau of Business and Economic Research (BBER) for measuring the fiscal impact of the project. BBER was hired by the City to develop a model for evaluating LEDA projects. The City’s LEDA Ordinance requires that the project demonstrate that the City will recoup the value of its contribution within ten years.

PROJECT ANALYSIS: The project as proposed in the project application will be analyzed below in accordance with the Local Economic Development Act project criteria as provided by City Ordinance F/S O-04-10.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a “Qualifying Entity” eligible for LEDA funding assistance. EAI qualifies under the Act and the Ordinance by meeting the following definition:

***Qualifying entity.* A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City’s enabling legislation also states that applications for LEDA assistance which meet the policies and objectives of the City’s community economic development plan shall receive priority. Eclipse Aerospace qualifies as the type of project that meets the City’s identified economic development priorities under the following categories:

(4) Manufacturing firms (including intellectual property such as computer software)

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

The project site consists of 215,340 square feet of leased facilities at the Albuquerque International Sunport.

Eclipse Aerospace leases space at the following addresses:

2503 Clark Carr Loop SE, Albuquerque, NM 87106 (aka Sunport 1)
[City of Albuquerque Aviation Department property]

3250 Spirit Drive SE, Albuquerque, NM 87106 (aka Sunport 2)
[City of Albuquerque Aviation Department property]

3520 Spirit Drive SE, Albuquerque, NM 87106 (aka Sunport 3)
[City of Albuquerque Aviation Department property]

2235 Access Rd C, Albuquerque, NM 87106 (aka Sunport 4)
[City of Albuquerque Aviation Department property]

A map of the area is included in the Project Application.

Additionally, Eclipse Aerospace leases the following Albuquerque premises from a landlord other than the City of Albuquerque:

2800 Karsten Court SE, Albuquerque, NM 87102 (aka Sunport 10)
Lot 2D, BROADWAY INDUSTRIAL SUBDIVISION, Unit 2, Bernalillo County, New Mexico, as the same is shown and designated on the Plat thereof, filed in the Office of the County Clerk of Bernalillo County, New Mexico, on the 14th day of January, 2000, in Book 2000C, Page 15.

In addition, EAI has indicated that ultimately, and subject to availability and cost, they would like to lease a total of 237,984 square feet in five facilities at the Sunport.

The Project Site is located within the City's Developing Urban Area. The Site is zoned SU-1 for Airport and Related Facilities. Uses that are permitted include offices and manufacturing for aviation-related uses.

The proposed project would be consistent with the Comprehensive Plan, and the Airport Master Plan. A map illustrating the location of the Project Site is included as an Exhibit in the Project Application.

2. LAND USE:

The project site consists of four facilities owned by the City's Aviation Department at the Albuquerque Sunport's "General Aviation" area, on the southwest side of the airport.

Other existing employers in the area include Cutter Flying Service, Seven Bar Aviation, and the National Weather Service.

The project would support: a) An Economic Development Strategy for Albuquerque/ Bernalillo County to create a diversified economy in targeted industries and cluster industry groups; and b) The Comprehensive Plan Economic Development Policy to encourage the growth and attraction of export-based manufacturing industries. And it supports the economic development priorities and objectives of the City's Local Economic Development Act. Eclipse Aerospace contributes to the surrounding area by the quality of the City facilities it has helped to upgrade and maintain.

The project would bring additional next generation aviation manufacturing/assembly operations to Albuquerque, creating an estimated 100 additional good quality jobs. The proposed project in Albuquerque is the next step in expanding EAI's operations in the United States.

This Project is not expected to generate any significant noise or waste pollution, or traffic congestion. Eclipse Aerospace does not consume large volumes of water in its assembly operations; water use is generally for personal uses by the employees, and thus it is not considered a "Large Water User" by local policy standards. There have been no enforcement issues in regard to their Air Quality Permitting. EAI does operate a paint booth and additional production may require a Modification of the existing Air Quality Permit. The City's Air Quality staff does not anticipate any significant issues with this increase in production, and will work with EAI on any necessary permit modifications. None of the Project's emissions are "Major" under applicable federal, state or local regulations.

3. INFILL:

As previously stated, the project site is located in existing City facilities at the Sunport. No additional water, sewer, or road construction is needed for this project.

4. DESIGN AND CONSERVATION:

The existing facilities are appropriate to the surrounding uses. Additionally, with EAI as a tenant, the Aviation Department has been able to make facility upgrades to both the exteriors and interiors of the buildings.

5. RENEWABLE ENERGY:

EAI does not produce any renewable energy or renewable energy products. However, the company has stated that its planes are significantly more fuel efficient than other competing products.

III. ECONOMIC BENEFITS

6. COMPETITION:

EAI has no competition in Albuquerque with respect to the manufacture of Very Light Jets.

7. JOBS:

EAI expects to add 100 employees to their 175 employee base level, for a total of 275 by December, 2015. Current annualized payroll (as of August, 2013) is \$13.75 million. The average production salary will be \$45,000, plus a standard benefits package valued at 20-22% of salary. The average professional/technical/admin salaries will be \$91,000 per year.

Operation of the facility requires three groups of workers: (i) production employees, (ii) maintenance and operations employees, and (iii) non-production employees. Production employees are engaged in the operation of the production lines, and the production/assembly of the airplane components and final assembly of the aircraft. Maintenance and operations employees service existing Eclipse Aerospace aircraft. Non-production employees include management, engineering, human resources, sales, accounting and other necessary functions not directly related to production. Jobs are defined as full-time EAI employees with 32 or more hours per week, and come with full benefits.

Wage Class and Type – Total Workforce	% of Employees
Class 1-3 <\$25,000	0
Class 4 \$25-35,000 Line workers	4%
Class 5 \$35-50,000 HR & Logistical Assistants	35%
Class 6 \$50-75,000 line maintenance & management, other administrative positions	29%
Class 7 \$75-100,000 Management	16%
Class 8 \$100-150,000 Management	14%
Class 9 \$150,000+	2%

(These wage classes are based on categories used by the Bureau of Business and Economic Research.)

EAI's proposed wages for their various positions meet or exceed the median wages for the industry within the community. All these jobs are considered full time positions, and come with employee benefits. EAI pays 80% of the premiums for medical and dental insurance, and EAI pays 100% of the premium for accidental death and dismemberment insurance, short term disability and long term disability. They offer a discounted vision plan for which the employee pays the minimal monthly premium. They also offer life insurance to a multiple of the employee's annual salary as well as spouse life insurance (life insurance is an employee paid premium). They have a 401K program with a company match, 8 paid holidays, paid vacation (2 weeks the first year, 3 weeks starting in the 2nd year and 4 weeks starting in the 5th year) and paid sick leave (unused sick leave converts to additional vacation days in the following year).

Additionally, the Company has stated the following:

- 1) Eclipse Aerospace expects that these jobs that will benefit a wide variety of area residents, from a variety of income levels.
- 2) EAI believes that many of the jobs created in connection with this project will match the skills of the current residents. Additionally, a number of former employees of the previous company have expressed a strong desire to return to work there and in some cases, return to Albuquerque.
- 3) To assure that the future workforce is available locally, EAI is partnering with Central New Mexico Community College, to support certification programs that are applicable to aviation assembly and manufacturing, such as machine operators, production managers, and electro-mechanical technicians.
- 4) New employees will be trained appropriately to fill the roles required of the new positions that will be created.
- 5) Advancement opportunities are continually available from within Eclipse Aerospace. Internal jobs are posted and career development is highly encouraged. As EAI continues to grow, it will depend on the career growth of its existing employees in order to fill the needs associated with its continual growth.

Eclipse presently is exploring the potential for funding through the Job Training Incentive Program (JTIP).

8. LOCAL PURCHASES

EAI is committed to making local purchases whenever possible. The Company purchased \$1.61 million of local goods and services in 2012, and expects total 2013 purchases may rise to \$2.46 million (plus the amount spent for rent on the Support facilities). EAI anticipates local spending will increase approximately 3.5% in 2014 and subsequent years. Because much of the equipment involved in the production of aircraft is highly specialized

and not manufactured in New Mexico, additional production equipment might be ordered from special vendors outside of the State.

The local area will receive additional economic benefits in the form of taxes paid by EAI (\$110,740 in state and local taxes in the past year), income taxes and gross receipts taxes paid by the Company's employees and as a result of indirect jobs both sustained by and created as a result of EAI's operations in the City.

IV. PROJECT FEASIBILITY

9. COST/ FEASIBILITY/ FINANCING:

The City's Aviation Department will allow for third party payments of rent on behalf of Eclipse. (The Federal Aviation Administration requires all tenants at airport facilities to pay market rents.) These rent payments are calculated at the rate of \$105,870 per month from November, 2013 to October, 2014. Through this LEDA Project, and the terms of the Project Participation Agreement (PPA), Eclipse would be eligible to earn a "rent credit" for every ten (10) new full-time Eclipse employees hired in Albuquerque, above the base employment level of 175. The rent credit would be equal to 60% of the monthly rent amount due to the Aviation Department. Eclipse's projected increase of 100 additional employees could earn ten (10) months of rent credit. The monthly lease rate will be \$105,870.33 and the 60% credit rate would be \$63,522. The maximum of rent credit Eclipse could earn would be \$635,222.

The State Economic Development Department proposes to provide \$397,014 in funds to the City of Albuquerque to be used to offset costs of facility rental at the Sunport. These funds would be processed as a grant to the City through an Intergovernmental Agreement. The City would then include these funds, along with its own, under the Local Economic Development Act (LEDA) to provide the requested assistance to the Project. The City of Albuquerque proposes to contribute \$238,208 toward eligible rental costs that will benefit Eclipse. City funding comes from the Economic Development Action (EDAct) funds.

(Eligible project assistance is found in the definition of an "economic development project" contained in the Local Economic Development Act (5-10-3 NMSA 1978), which specifies that the direct or indirect assistance may include "the purchase, lease, grant, construction, reconstruction, improvement, or other acquisition or conveyance of land, buildings, or other infrastructure...", among other items.)

These funds will be disbursed under the terms of the Project Participation Agreement (PPA). The proposal is for the combined City/State funds to cover 60% of the lease costs per month, with Eclipse responsible for the remaining 40%. Funding is subject to City Council approval. Eclipse will be responsible for their own and the City's fees related to the LEDA applications and associated legal or other administrative fees, including any fiscal impact analysis.

Staff review of company financial statements indicates the company is projected to be in a positive financial position in 2014, and seems reasonably able to continue in that position for the foreseeable future.

10. DEVELOPER'S RECORD:

Eclipse Aerospace, Inc. (EAI) purchased the assets of Eclipse Aviation Corporation in a Chapter 7 bankruptcy proceeding on September 4, 2009. It is a new company, with new management.

The co-founders of EAI are Mason Holland, a former Eclipse Aviation Corporation aircraft deposit holder, who lost his entire deposit (60% of the purchase price of the aircraft) in the company's bankruptcy, and Mike Press, who purchased, and still operates, one of the first Eclipse 500 aircraft produced (S/N 4). Holland's and Press's interest in purchasing the company arose out of collaboration with other Eclipse 500 owners and deposit holders who wanted to see the company go forward with the maintenance, modification and future production of the aircraft.

EAI opened its doors on September 4, 2009 with 13 employees in Albuquerque. There are currently more than 200 employees in Albuquerque and Chicago combined. EAI expects to employ approximately 275 individuals in Albuquerque by late 2015.

EAI established priorities of providing engineering operational safety, and parts distribution in Albuquerque and opening facilities in Albuquerque and Chicago for fleet maintenance, fleet modifications and preparation of aircraft for the European market.

EAI is establishing a full manufacturing assembly operation in Albuquerque, where they will produce the new Eclipse 550 and continue the development of the Very Light Jet market that was founded in Albuquerque.

EAI and the City's Aviation Department negotiated a previous lease agreement (approved by City Council) that involved the transfer to the City of five (5) acres of real property, and a 41,600 square foot building, located adjacent to the Double Eagle II airport, in exchange for rent credits. Those credits expired in October, 2012. EAI has made full rent payments since that time.

Eclipse Aerospace has invested more than \$150 million in its company's development through mid-2013.

Eclipse Aerospace, Inc. (EAI) has formed a partnership with PZL Mielec, an affiliate of Sikorsky Aircraft and subsidiary of United Technologies Corp., to produce major components for the Eclipse 550 Jet. PZL Mielec will manufacture the fuselage, empennage, and wings for Eclipse Aerospace in Poland and ship the parts to Albuquerque, New

Mexico, USA for final assembly. Another United Technologies Corp. company, Pratt & Whitney Canada, manufactures the engines for the aircraft.

EAI already has committed to working with Central New Mexico Community College and the University of New Mexico to provide educational and training benefits to New Mexico residents.

11. EQUITY:

EAI will contribute forty percent (40%) of the monthly lease costs, plus all other operating costs for the company during the time of the LEDA rent assistance. If they do not meet the job creation requirements they will be responsible for one hundred percent (100%) of the lease costs.

12. MANAGEMENT:

Eclipse Aerospace Inc., will manage and operate the project.

Mason Holland is the CEO and Chairman of the Board, for Eclipse Aerospace, Inc. Over the past 25 years, Mr. Holland has created, operated, and reorganized businesses in several industries. The common element in all of his endeavors has been a strong focus on providing cost effective service for customers while increasing shareholder value for the franchise. In 2009, Mr. Holland created Eclipse Aerospace, Inc. and currently leads a team in the recreation of service, support and eventually new production of the Eclipse 500 Twin Engine Jet. In addition to his role at Eclipse, Mr. Holland is also the co-founder and Chairman of Benefitfocus.com, Inc., the largest provider of online benefits enrollment software in the country.

Michael Press is the Executive Vice President and a director. He is the founder and CEO of Single Pilot Jet Management, LLC, one of the largest Very Light Jet (VLJ) brokerage companies in the world. Single Pilot Jet Management sold more than 250 jet aircraft in the last three years and has a network of agents around the world. Mr. Press has almost 50 years of experience in aviation that includes senior leadership positions in the U.S. Air Force, where he managed foreign military sales for Europe and Asia. Following his retirement from the U.S. Air Force as a Colonel, Mr. Press served as a senior director of Northrop Grumman Corporation.

Edward M. Lundeen is Senior Vice President, Business Operations. Ed has responsibility for Eclipse Aerospace's business operations which includes Supply Chain Management, Contracts, Information Technology, Human Resources and Facilities Management. During his 30+ year career, Lundeen has served as Vice President, International Business and Vice President, Contracts for Eclipse Aviation; Director of Contracts for Iomega Corporation; Regional Director, Supply Chain Management for Phelps Dodge Mining Company; and, Manager of Purchasing for San Diego Gas & Electric. Ed earned an MBA from Western New Mexico University and a Bachelor of Science degree in Marketing from Arizona State

University. He has published papers on outsourcing, contracting, procurement, reverse auctions, buyer training, and ERP selection and implementation.

Based on the description given in the project plan, EAI management appears to be qualified to manage the project. Résumés of the principals are included in the Project Application.

13. FISCAL IMPACT ANALYSIS

As indicated in Exhibit 3, the project would have positive fiscal impacts on the City, based on the assumptions and methodology used by the University of New Mexico's Bureau of Business and Economic Research (BBER) for measuring the fiscal impact of the project. BBER was hired by the City to develop a model for evaluating LEDA projects. The City's LEDA Ordinance requires that the project demonstrate that the City will recoup the value of its contribution within ten years.

V. PROJECT PARTICIPATION AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) The economic development goals of the project;**
- (2) The contributions of the City and the qualifying entity;**
- (3) The specific measurable objectives upon which the performance review will be based;**
- (4) A schedule for project development and goal attainment;**
- (5) The security being offered for the City's investment;**
- (6) The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.

The primary terms of the EAI Project Participation Agreement are summarized below. The document is attached as an Exhibit.

1. COMPANY CONTRIBUTION

The PPA states that, in exchange for certain LEDA assistance described below, Eclipse Aerospace Inc., will undertake and complete a certain project, which is defined to include the following elements (the "Project"):

1. The occupancy by Eclipse of approximately 215,340 square feet at facilities owned by the City of Albuquerque's Aviation Department at the Albuquerque International Sunport, within the boundaries of the City (the "Facilities");
2. Maintaining and expanding operations at the Facilities for functions including manufacturing assembly, aircraft operations and maintenance, pilot training, customer service, company administration for a minimum of ten years;
3. The hiring of 100 employees in accordance with the schedule set forth in Section 8A of the PPA, which employees will be engaged in the manufacture and assembly of airplanes and a variety of support functions, which positions which will cross a wide range of skill levels from entry level to managerial positions;
4. Maintenance of aircraft assembly and other managerial and administrative operations in Albuquerque through at least December 31, 2023; and
5. The payment of lease amounts on a monthly basis to the City's Aviation Department, which amount shall be not less than 40% of the total amount due each month. Lease payments, and any potential credits, shall be calculated according to the terms set forth in Section 7 of the PPA.

The Eclipse Aerospace Application clearly demonstrates that the Company, by completing the Project, will be making many substantive contributions to the community, as required by the LEDA Ordinance.

The City has determined that the cost-benefit analysis with respect to the Project, based on assessments conducted by the University of New Mexico's Bureau of Business and Economic Research, on the basis of information provided by EAI, shows that the City will recoup the value of its contribution within ten (10) years.

2. PUBLIC SECTOR PARTICIPATION

The City anticipates receiving an appropriation of funds disbursed as a grant from the State with the direction to convey these funds for the benefit of the Eclipse Aerospace Project via LEDA. This includes \$397,014 in funds appropriated to the New Mexico Economic Development Department for fiscal year 2014. Conveyance of these funds will require the execution of an Intergovernmental Agreement, or a Memorandum of Understanding, between the City and the State.

In addition, the PPA calls for \$238,208 in funds to be committed to the Project by the City. A separate financial account must be maintained for the LEDA funds. The disbursement of all funds requires approval of the Project, the PPA and other documents, and an ordinance by the City Council.

EAI would be eligible to earn a "rent credit" for every ten (10) new full-time Eclipse employees hired in Albuquerque, above the base employment level of 175. The rent credit would be equal to 60% of the monthly rent amount due to the Aviation Department. EAI's projected increase of 100 additional employees could earn ten (10) months of rent credit. The monthly lease rate will be \$105,870.33 and the 60% credit rate would be \$63,522. The maximum of rent credit Eclipse could earn would be \$635,222. EAI's employment levels will be reported monthly.

The total amount of public money expended and the value of credit pledged in the current fiscal year for economic development projects pursuant to LEDA does not and will not exceed five percent of the general fund expenditures of the City in that fiscal year (a requirement of the Act).

3. ADDITIONAL COMMITMENTS AND REMEDIES

A. Job Commitment. EAI will create, and hire employees for, the following minimum total number of Jobs in accordance with the following schedule:

Eclipse will create 100 new jobs by December 31, 2015, (total Albuquerque employment of 275). Eclipse will maintain a level of at least 248 employees through December 31, 2018.

Jobs/employees are defined as full-time positions as Eclipse Aerospace, Inc., employees, at greater than 32 hours/week plus full benefits. Contract, part-time, and temporary workers do not count toward these employment commitments.

B. Performance Clawbacks.

Performance Requirements and Penalties:

If employment commitments contained in the PPA are not achieved, a repayment of some or all of the City's Contribution may be required. The contingent provisions are outlined in the PPA.

To the extent that Eclipse does not reach 275 employees by December 31, 2015, and maintain at least 248 employees (90% of the total required jobs) for at least three subsequent years through 2018 (subject to Business Climate Changes as defined below and any waivers granted by the City's Chief Administrative Officer and other recourse), it will refund to the City of Albuquerque ten percent (10%) of the amount of the total City Contribution expended to date.

"Business Climate Changes" means any substantive changes in the general aviation market, outside of Eclipse's control, that significantly decrease the amount of sales Eclipse is able to achieve. (This does not apply to the shifting of Eclipse's production to another facility outside of Albuquerque.)

If the City determines that Business Climate Changes affect Eclipse's ability to reach or maintain required employment levels, the City in its sole discretion may lessen or waive penalties that pertain to that portion of the original funding provided by direct City of Albuquerque funds, but not including any funding which originated with the State as a grant to the City of Albuquerque for this project.

C. Facility Closure Clawback. Should Eclipse cease operation of the Project (i.e., cease to conduct aircraft assembly and maintenance, administrative and managerial operations at the Facility) before December 31, 2023, Eclipse shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid as Rent pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table:

Date of Cessation of Operations	Percent of City Contribution and State Contribution to be Repaid
On or before December 31, 2016	100%
Between January 1, 2017 and December 31, 2018	75%
Between [January 1, 2019 and December 31, 2023]	25%

D. Security Interest. *(Note: The Security Interest agreement and this Section D have been added to the staff analysis subsequent to the hearing before the Albuquerque Development Commission.)* To secure the performance of its obligations under this Agreement, Eclipse will, simultaneously with the execution of this Agreement, enter into an Aircraft Security Agreement in the form attached to this Agreement as Exhibit C (the "Security Agreement") and grant to the City a security interest in the aircraft described therein. EAI will execute and deliver any documents reasonably requested by the City to evidence the grant of such security interest (including the security agreement), and EAI authorizes the City to file any instruments in the public record that the City deems

necessary to perfect such security interest, now or in the future. If no amounts are then owed by EAI to the City pursuant to this Agreement and the Project is still operating on December 31, 2023, this security interest will terminate on such date. If amounts then are or will be payable pursuant to this Agreement, then the security will terminate on such other date upon which EAI and the City agree in writing that EAI has successfully completed its obligations under this Agreement. Upon termination of the security interest, the City shall terminate any instruments in the public record that the City filed to perfect its security interests.

E. Annual Reporting Requirement, Performance Review and Termination.

Eclipse Aerospace will provide annual reports to the City information on its workforce and such other information necessary for the City or its independent contractor to determine whether EAI has met its obligations under the PPA. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 1 of the Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition of all assets and obligations of the Project. The annual reports are in addition to the monthly employment reports required.

FINDINGS:

1. LEDA 13-1 is a qualifying entity as defined by the State's Local Economic Development Act and the City's enabling legislation (F/S O-04-10);
2. LEDA-13-1 would make positive contributions to the local economy and community;
3. Subject to final development of an acceptable Security Agreement, LEDA-13-1 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives; and
4. Subject to final development of an acceptable Security Agreement, LEDA-13-1 would adequately meet the evaluation criteria established by the City, including the requirement that the City will recoup its investment within ten years.

STAFF RECOMMENDATION:

Based on the above findings, and subject to final development of an acceptable Security Agreement, staff recommends approval of LEDA-13-1 as proposed in the project application, and the accompanying Project Participation Agreement.

Prepared by: Deirdre M. Firth, Manager
Economic Development Department

Eclipse Aerospace, Inc.
City of Albuquerque Fiscal Impact
Fiscal Impact Analysis by UNM BBER
City Bond Rate 2.50%

Exhibit 3

	City Donation			Gross Receipts Taxes					Other	Total	City	Fiscal Impact		
	City Donation	Project Payments	Net City Donation	Company Employees	Indirect and Induced Employees	Company Purchases	Company Sales	Construction	Taxes	Revenues	Costs	Annual	Present Value	Cumulative
2013	59,550	-	59,550	14,316	4,675	3,906	-	-	5,988	(30,665)	19,155	(49,819)	(49,819)	(49,819)
2014	119,100	-	119,100	42,903	16,991	9,020	-	-	15,742	(34,444)	57,464	(91,908)	(89,666)	(139,485)
2015	59,550	-	59,550	57,213	22,053	12,189	-	-	23,064	54,970	76,618	(21,649)	(20,606)	(160,091)
2016	-	-	-	58,624	23,859	12,996	-	-	29,289	124,768	76,618	48,149	44,711	(115,380)
2017	-	-	-	60,090	24,457	10,741	-	-	29,724	125,012	76,618	48,394	43,842	(71,537)
2018	-	-	-	61,592	25,093	11,117	-	-	30,175	127,978	76,618	51,359	45,394	(26,144)
2019	-	-	-	63,131	25,730	11,507	-	-	30,642	131,009	76,618	54,391	46,901	20,758
2020	-	-	-	64,709	26,405	11,909	-	-	31,125	134,148	76,618	57,530	48,398	69,155
2021	-	-	-	66,326	27,099	12,326	-	-	31,625	137,376	76,618	60,758	49,867	119,022
2022	-	-	-	67,984	27,813	12,757	-	-	32,142	140,697	76,618	64,078	51,309	170,332
2023	-	-	-	69,683	28,527	13,204	-	-	32,678	144,092	76,618	67,473	52,710	223,041
2024	-	-	-	71,425	29,259	13,666	-	-	33,232	147,582	76,618	70,963	54,084	277,126
2025	-	-	-	73,210	30,009	14,144	-	-	33,806	151,170	76,618	74,551	55,433	332,559
2026	-	-	-	75,040	30,779	14,639	-	-	34,400	154,859	76,618	78,240	56,757	389,316
2027	-	-	-	76,916	31,569	15,152	-	-	35,014	158,651	76,618	82,033	58,057	447,373

City Donation, City Donation: The City of Albuquerque will provide rent offset, up to a total of \$635,222, of which the State of New Mexico will contribute \$397,022, for each group of 10 new employees Eclipse hires.

Gross Receipts Taxes, Company Employees: Gross receipts taxes on local purchases by new operating personnel employed by applicant.

Gross Receipts Taxes, Indirect and Induced Employees: Gross receipts taxes on local spending by those supported by company's purchases of local goods and services and by spending by operating personnel.

Gross Receipts Taxes, Company Purchases: Gross receipts taxes on increased company purchases of local goods and services as a result of the project.

Gross Receipts Taxes, Company Sales: Only sales in-state generate gross receipts taxes.

Gross Receipts Taxes, Construction: Gross receipts taxes on contractor receipts and on local spending by construction workers and those supported indirectly by the project.

Other Revenues: Increased employment, resulting from the project, will increase Albuquerque's population and this new population will pay taxes and various City charges for services. Taxes include property tax operating and debt service levies, franchise fees, State-shared revenue distributions other than gross receipt, permits and charges for services, including rent on city properties. In addition, franchise taxes on electricity purchased by the applicant are included.

Total Revenues: Gross receipt tax revenues and other revenues associated with the additional population resulting from the project.

City Costs: Costs of providing City services and infrastructure to the additional population and additional employment supported by the project. Costs include general fund expenditures, the subsidy for Transit, city street fund expenditures and average spending over past 5 years in the City's Capital Acquisition less that supported by Federal funds or transfers. The cost of services provided by the city is split between businesses (based on employment) and residents (based on additional population).

Fiscal Impact, Present Value: Present value of the stream of annual net fiscal impacts discounted to current values. Here the discount rate is the real rate of interest on GO bonds.

Fiscal Impact, Cumulative: The running total of state present value fiscal impacts over the life of the Industrial Revenue Bond, where the last year is the net present

APPLICATION
for
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)
Project Approval

Name of Project: Eclipse Aerospace Project--Sunport Facilities Rent Offset

Location of Project: Albuquerque, NM

Company Name: Eclipse Aerospace, Inc.

Contact Person: Ed Lundeen

Address: 2503 Clark Carr Loop SE

Albuquerque, NM 87106

Telephone: 505.724.1742

Email: elundeen@eclipse.aero

Counsel: Au Ly

Address: 2503 Clark Carr Loop SE

Albuquerque, NM 87106

Telephone: 505.724.1102

Amount Requested: \$635,222.00

Fee Submitted: _____

FOR STAFF USE

Staff Assigned: _____

Case Number: _____

Fee Received: \$ _____

ADC Hearing Date: _____

Council Dates (Tentative): Introduction
Committee

_____ Council Hearing _____

PREFACE

This Application is being submitted to the Development Commission of the City of Albuquerque for review prior to consideration by the City Council of an Ordinance for the Local Economic Development Act in accordance with Council Ordinance O-04-10. Pursuant to those Council actions this is the first step towards the issuance of an ordinance pursuant to: the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978 as amended); or, pursuant to the home rule powers of the City given by Article X, Section 6 of the New Mexico Constitution and the City's Charter.

The Plan contains the information required by City Council Ordinance O-04-10 and conforms with and complements the policies established for the local Economic Development Act pursuant to that Council action.

The purpose of the Application is to identify the project area and to present the plan and the uses to which the LEDA proceeds will be put if issued. This Application is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICATION DESCRIPTION

Please prepare the LEDA application according to the following outline. Headings must be present and visible and all required information included. Please prepare the information needed for the fiscal impact analysis in the same manner but attached separately from the following outline.

I. GENERAL DESCRIPTION

Give a brief overview of the project, including general location, proposed development, use, and total amount requested. Include a statement of the benefit to be gained by the Albuquerque community from this development. The General Description should explain what will be done with the LEDA funds if approved.

Eclipse Aerospace, Inc. manufactures the Eclipse 550 aircraft and, services and supports the EA500 and Eclipse 550 very light jets in Albuquerque, NM.

Eclipse Aerospace acquired the tangible assets and intellectual property rights of the former Eclipse Aviation from the US Bankruptcy Courts and opened for business in facilities previously occupied by Eclipse Aviation.

On September 4, 2009, Eclipse Aerospace started business in Albuquerque with 13 employees and, as of December 31, 2012, had increased employment to a total of 197 employees of which 130 were based in Albuquerque. Eclipse Aerospace recently received FAA approval (Production Certificate) to manufacture the EA550 aircraft in Albuquerque. As a result, Eclipse Aerospace believes by December 31, 2015 its total New Mexico based employment will be 275 employees and will expand its use of the Sunport facilities over the next three to five years. Currently, EAI

leases 202,984 square feet at a monthly lease rate of \$105,870.33. Approval of the Project's funding will allow Eclipse Aerospace to support hiring 100 employees in addition to the 175 "baseline" employment in Albuquerque, and expansion of manufacturing operations at the Sunport by using the funding amount to partially offset rent payments on the Sunport facilities, thereby enabling Eclipse Aerospace to allocate its own monies towards hiring personnel for its Albuquerque operations in support of expanded manufacturing operations.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

Give both the precise and complete legal description and address or identification of location.

Eclipse Aerospace currently leases 215,340 square feet of space at the Albuquerque International Sunport at the following addresses:

2503 Clark Carr Loop SE, Albuquerque, NM 87106 (aka Sunport 1)
[City of Albuquerque Aviation Department property]

3250 Spirit Drive SE, Albuquerque, NM 87106 (aka Sunport 2)
[City of Albuquerque Aviation Department property]

3520 Spirit Drive SE, Albuquerque, NM 87106 (aka Sunport 3)
[City of Albuquerque Aviation Department property]

2235 Access Rd C, Albuquerque, NM 87106 (aka Sunport 4)
[City of Albuquerque Aviation Department property]

Additionally, Eclipse Aerospace leases the following Albuquerque premises from a landlord other than the City of Albuquerque:

2800 Karsten Court SE, Albuquerque, NM 87102 (aka Sunport 10)
Lot 2D, BROADWAY INDUSTRIAL SUBDIVISION, Unit 2, Bernalillo County, New Mexico, as the same is shown and designated on the Plat thereof, filed in the Office of the County Clerk of Bernalillo County, New Mexico, on the 14th day of January, 2000, in Book 2000C, Page 15.

B. Prevailing Site Conditions

Describe the present use and development of the site, including any improvements, vacant land, etc.

Eclipse Aerospace rents four of the above described facilities from the City of Albuquerque and one from a private party.

Sunport 1 – is used by Eclipse Aerospace as our primary business operations center where we conduct 100% of our Engineering, Certification, Software Development, Supply Chain, Technical Publications, Information Technology, Human Resources, Facilities, Safety,

Security, Environmental, Flight Operations, Flight Test, Avionics Labs and, FAA Certified HALT Lab. This facility houses our “delivery and customer center” that is utilized in the sales, marketing and delivery processes for customers and also contains one of our Part 145 repair centers, distribution receiving, shipping and warehouse, meeting rooms and ramp with taxiway access. This building contains 92,400 ft² of which 60,800 ft² is hangar space and 31,600 ft² is office space.

Sunport 2 - is used by Eclipse Aerospace as our primary assembly facility. The production line contains the first 9 positions of our production manufacturing sequence. SP2 also houses professional staff responsible for production management, manufacturing engineering, and tooling management as well as our machine shop, off-line aero structures build, bin storage overstock. This building contains 45,900 ft² of which 36,600 ft² is hangar space and 9,300 ft² is office space.

Sunport 3 - is used by Eclipse Aerospace as our final assembly facility. The production line contains the final 7 positions of our production manufacturing sequence (including paint and interiors). SP3 also houses professional staff responsible for quality as well as our engine and wing prep facilities. This building contains 68,000 ft² of which 65,000 ft² is hangar space and 3,000 ft² is office space.

Sunport 4 -- is used as storage for flight test aircraft, flight test articles and tooling. This building contains 9,040 ft² of which 7,540 ft² is hangar space and 1,500 ft² is office space.

Sunport 10 -- is leased from a party other than the City and is not subject to any financial benefit that may be derived from this LEDA application. Eclipse Aerospace uses this facility for friction stir welding (housing 2 FSW gantries and tooling) and also serves as the primary shipping and receiving facility for Eclipse Aerospace. This building contains 51,300 ft² of which 43,200 ft² is warehouse/manufacturing space and 8,100 ft² is office space.

C. Present Assessed Value

Give the present assessed value according to the Bernalillo County Assessor's office. You may also list a current appraised value if you feel it will make the post-development value clearer.

Not applicable to this Project.

D. Present and Proposed Zoning

Give the current zoning of the property. If any change in zoning is required for the proposed use, give the proposed new zone. We recommend that zoning changes required be requested before the project plan reaches the Development Commission.

The facilities (SP1, SP2, SP3 & SP4) are owned by the City of Albuquerque Aviation Department, and are in an area zoned SU-1 for Airport Facilities.

E. Renewable Energy

Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology.

The Project will not create or produce renewable energy.

III. PROJECT PLAN

A. Information Concerning Applicant

Describe the development entity – corporation, syndicate, individual, etc., and give information about the experience of the company or of significant individuals involved in the type of development or industry proposed. Include as an attachment resumes of main principals, or other information which will bear on the experience and credibility of the development entity.

Eclipse Aerospace acquired the assets and intellectual property rights of a company that previously produced the Eclipse 500 aircraft in substantially the same facilities, with the same tools, tooling, plant and equipment that Eclipse Aerospace is now employing and has been doing so for the past 4+ years. The former company had in excess of 2,200 employees at their peak and approximately 850 employees when they were liquidated in bankruptcy. The majority of the personnel Eclipse Aerospace has hired to date are former employees who had been disenfranchised by the former company.

Four of the five senior executives who oversee Eclipse Aerospace are seasoned aviation industry veterans and those individuals who manage the day-to-day and tactical operations of Eclipse Aerospace have exceptional depth of experience in not only aviation but specifically in designing, manufacturing, servicing and supporting the Eclipse aircraft.

The names, titles and bios of Eclipse Aerospace's executive team are contained on an attachment to this Application.

As of October 10, 2013; Eclipse Aerospace has 25 aircraft on the production line in various stages of completion and will complete and deliver the first 5 aircraft to the end customer during the 4th quarter of 2013.

B. Tax Issues

Please provide a statement declaring that the applicant has no outstanding substantive federal, state or local tax issues. If, however, there are pending issues, thoroughly describe all issues and their status.

Eclipse Aerospace is in good standing with its tax obligations to the federal, state and local tax jurisdictions and authorities. It pays taxes on its income as required by law.

Eclipse Aerospace pays personal property taxes on its equipment, which taxes were eighty thousand dollars (US\$80,000) during the past fiscal year.

As a lessee of the City properties listed in Section II (SP1, SP2, SP3 & SP4) Eclipse Aerospace does not pay real property taxes.

Eclipse Aerospace pays real property taxes on the lease of SP10, which taxes were eighty six thousand dollars (US\$86,000) during this past fiscal year.

Sales of Eclipse Aerospace aircraft are exempted from New Mexico Gross Receipts Tax.

C. Information Concerning Products and Process

Identify the products and/or processes involved with this project. Specifically address the question of whether the proposed development will generate air, noise, or waste pollution or traffic congestion. Include any plans for the reduction and disposal of waste and/or project emissions.

Eclipse Aerospace is the designer and intellectual property holder of the type design, type certificate and production certificate for the Eclipse 500 aircraft. Eclipse Aerospace has a cadre of domestic and international suppliers who manufacture the various assemblies, components, systems, and piece parts that are assembled, tested, certified and sold by Eclipse Aerospace as a finished product. Eclipse Aerospace also provides parts, services and support for the 260+ fielded Eclipse 500 aircraft.

Eclipse Aerospace's facilities and operations are currently fully licensed and/or permitted for its operations (as applicable; City of Albuquerque, Bernalillo County, State of New Mexico and US DOT) and are fully in compliance with such permits and licenses. Eclipse Aerospace is typically described as an "Exempt Small Quantity Generator".

D. Competition

Please describe any competition in the same area of commerce or industry existing in the City. Since the Development Commission and City Council do not wish to make public funds available for projects with local competition, this statement is very important.

Presently, Eclipse Aerospace is the only manufacturer of very light jets in the world and the very few manufacturers of competing aircraft (Cessna, Embraer and Beechcraft) are not located in New Mexico.

E. Effect on Existing Industry and Commerce during and after Construction

Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business, etc.

Eclipse Aerospace expects to hire an additional 100 employees over the 2013 baseline of 175 by December 31, 2015, to support the production plan to design, service, support and build aircraft in Albuquerque and to achieve our planned production rate.

While subject to slight variations; Eclipse Aerospace expects to hire 65 production personnel and 35 professional staff during this period.

Production wages, on average, are \$45,000/year plus a standard benefit package valued at 20-22% of wages. Professional salaries, on average, are approximately \$91,000/year plus a standard benefit package valued at 20-22% of salary.

Eclipse Aerospace spent \$1.61 Million with local suppliers in 2012 projects 2013 payments to local suppliers at \$2.3 million and 2014 and beyond at \$2.5 million or greater.

F. Land Acquisition

Indicate if LEDA proceeds will be used to acquire land, and whether land is presently owned by the applicant, or is under option.

The LEDA proceeds requested will not be used to acquire land. Eclipse Aerospace does not own any real property.

G. Description of Proposed Development

Describe the construction to be undertaken in the project, including square footage, construction type, and location of construction on the project site. Indicate whether existing buildings on the site will be rehabilitated or incorporated in the construction. Detail any demolition which will be required by the project, and indicate whether demolition involves any identified historic properties. If possible, attach a conceptual site plan and elevation (alternately, these may be presented at the Development Commission hearing).

These LEDA funds will not be used for any type of construction.

H. Infrastructure

Indicate if Project will require any extension or relocation of utility or road systems. If additional infrastructure is required, what cost sharing agreements have been reached between the applicant and the city?

No additional infrastructure required.

I. Area Enhancement

Describe how project design and placement will enhance the area.

Airport properties will be occupied and maintained rather than potentially vacant.

J. Local Purchasing

Please provide an estimated annual expenditure of goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

Eclipse Aerospace estimates approximately \$2.3 million to be paid to New Mexico entities in 2013, excluding rent on the Sunport facilities paid to the City of Albuquerque, with an approximate 3.5% increase in spend for 2014 and beyond.

K. Water Conservation

Estimate average daily and monthly water consumption and include any plans for the reduction or re-use of water.

- SP1 - average 83,000 gallons per month
- SP2 - average 8,200 gallons per month
- SP3 - average 11,000 gallons per month
- SP10 - average 3700 gallons per month

Eclipse Aerospace's water usage is driven by the number of employees using restroom facilities. Therefore, there are not many opportunities to reduce the current water usage. Some items that Eclipse Aerospace utilizes to minimize the use of water are zeriscape landscaping, drip system to keep plants alive, improved efficiency of the R/O water creation system in the manufacturing paint booth operations, repair or replace plumbing articles with low flow units.

L. Relocation of Individuals or Businesses

No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

No businesses or individuals will be displaced by this project.

M. Number and Types of Jobs Created

Identify the number and type (i.e., professional, clerical, assembly line, etc.) of permanent jobs which will be created in the project. If any existing jobs are to be retained to the project site, describe separately. Please include the wages of all positions to be created. The following questions must also be answered:

1) *What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere?*

70% from Albuquerque
30% from elsewhere

2) *Will jobs benefit low and moderate income residents?*

Yes. Most direct production, services and support positions at Eclipse Aerospace require a high school diploma and/or an FAA issued license (e.g. A&P license). A large percentage of our employees are veterans who received aviation related training while on active duty in the military.

3) *Will the jobs meet or exceed median wages for the industry within the community?*

Yes. Production wages, on average, are \$45,000/year plus benefits and professional salaries, on average, are approximately \$91,000/year plus benefits.

4) *Will the jobs match skills of current city residents?*

In some cases, yes. Direct production and general labor is more readily available in this market whereas some types of professional staff (e.g. aerospace engineers) are difficult to source in the local market.

5) *Will new employees be trained to fill the positions?*

Yes, as required.

6) *What stated advancement opportunities are there?*

All employees are given promotional opportunities based on skills, qualifications and work history. At the present time, Eclipse Aerospace does not have a jobs training program per se in place.

7) *Will "Job Training Incentive Program" or other job training programs be used?*

At the present time Eclipse Aerospace is not enrolled in the State of New Mexico's JTIP. This program will likely be employed at some point in the future.

8) *Will at least 50% of health insurance premiums be covered for employees?*

Yes. Eclipse pays 80% of employees' health insurance premiums.

N. Corporate Citizenship Policy/Plan

List any company policies/plans regarding the promotion of donations and volunteerism policy.

Eclipse Aerospace currently sponsors two Albuquerque community outreach events. First, it conducts weekly tours (at no cost) of their manufacturing facilities for the general public. Second, in September 2013 it hosted the Sandia Scoot! charity run organized by Ability Connection New Mexico, a local chapter of a 501(c)(3) non-profit organization. Ability Connection New Mexico provides services for individuals with physical and intellectual disabilities.

Eclipse Aerospace is a member and active participant in Albuquerque Economic Development, Inc.

O. Positive Contributions

List all positive contributions that the project will make to the neighborhood.

The funding from this Project will help Eclipse Aerospace provide meaningful employment for qualified applicants who reside in New Mexico. Aviation Department facilities will be operated and maintained. The LEDA funds will go to pay the City's Aviation Department.

P. Management

Who will manage the project? If the project will be managed by someone other than the applicant, does the applicant have any long-range involvement?

Eclipse Aerospace's executive team will manage this Project. See attached executive bios

IV. PROJECT FINANCING

A. Cost of Improvements, and Private Financing

Provide the total cost of the improvements to be constructed, or facilities to be leased, or other Project elements and the amount of LEDA funds requested. The amount requested should be no more than that needed to complete the project in addition to equity or conventional financing. Also provide the amount of private financing (equity or conventional financing) involved in this project; this may include the value of land and existing facilities, if relevant.

Current monthly rent payable by Eclipse Aerospace to the City of Albuquerque Aviation:

SP1 & SP2 – \$31,399.53
 Ramp at SP1 – \$1,0683.48
 SP3 – \$66,667.86
 SP4 – \$6,139.67

The purpose/benefit of the funds sought hereunder will be to offset 60% of the monthly rent for the above facilities in exchange for Eclipse Aerospace meeting or exceeding hiring plans.

B. Estimated Value After Completion

Indicate the estimated appraised value of the project after completion.

Not applicable to this Project.

C. Feasibility

Present information to show that the project can reasonably be expected to remain viable, including generating sufficient revenue to liquidate any related debt, and to maintain operations for ten years. This information may be an attached pro forma, and should be sufficiently detailed to show the assumptions on which the projections are based. However, a firm commitment from a third party to provide financing for the project will be considered sufficient evidence of feasibility, and no pro forma will be needed in such cases.

Eclipse Aerospace has developed a business plan that is cashflow positive and marginally profitable (presuming Eclipse Aerospace receives the rent offsets described in this LEDA application) based on our planned production and sales of no less than 13 aircraft in 2014 and 24 aircraft in 2015.

D. Construction Schedule

Give the date of anticipated beginning and completion of construction.

Not applicable to this Project.

Attachments: Attach to the plan a map location of the project (you may use the base maps from the City Zone Atlas if you wish), and any other information as desired to supplement the plan. If you are attaching glossy or colored printed material, please submit 25 copies.

See attached map depicting the locations of SP1, SP2, SP3 and SP4.

Facilities



Sunport 10

Fraction Str Weld
Sub-Assembly
Receiving Inspection
Warehouse

Sunport 3

Final Assembly
and Paint

Sunport 2

Primary
Assembly

Sunport 1

Eclipse Aerospace
Headquarters
ABQ Service Center
Customer Delivery
Engineering/Supply Chain

Executive Bios

Mason Holland, CEO / Chairman of the Board

Over the past 25 years, Mr. Holland has created, operated, and reorganized businesses in several industries. In 2009, Mr. Holland created Eclipse Aerospace, Inc. and currently leads a team in the recreation of service, support and production of the Eclipse 500 Twin Engine Jet. In addition to his role at Eclipse, Mr. Holland is also the co-founder and Chairman of Benefitfocus.com, Inc., the largest provider of online benefits enrollment software in the country. Benefitfocus.com is a "software as a service company" and serves and exchanges data independently with over 500 insurance carriers and over twenty million insured individuals. Prior to Benefitfocus, Mr. Holland founded American Pensions, Inc., a full service pension administration and investment advisory firm where he served as Chairman and President until its sale to a Southeast Regional bank in 2003. Mr. Holland serves as a director of numerous professional, civic and non-profit boards. In addition, Mr. Holland is a commercial rated pilot.

Ken Ross, President Global Services & Support

Ken serves as President of Eclipse Service Network (ESN), our services division. In addition to overseeing the service centers we own, Mr. Ross oversees logistics and management to form a worldwide network of third-party service centers. Mr. Ross has been closely involved in aviation for more than 30 years. As a former partner and co-chairman of the aviation practice group at the national law firm of Wilson, Elser, Moskowitz, Edelman and Dicker, Mr. Ross brings a wealth of experience and expertise to the Company. Mr. Ross in his capacity as counsel has been involved in a number of high profile aviation related cases, and has represented FBOs, air carriers, pilots, and airports regarding liability issues, insurance coverage, land acquisition, aircraft sales, and the leasing and management of aircraft.

Mike Press, Executive Vice President

Mike is the founder and CEO of Single Pilot Jet Management, LLC, one of the largest VLJ brokerage companies in the world. Single Pilot Jet Management sold more than 250 jet aircraft and has a network of agents around the world. Mr. Press has almost 50 years of experience in aviation that includes senior leadership positions in the U.S. Air Force, where he managed foreign military sales for Europe and Asia. Mr. Press is also a highly decorated combat fighter pilot. Following his retirement from the U.S. Air Force as a Colonel, Mr. Press served as a senior director of Northrop Grumman Corporation. Mr. Press purchased one of the first aircraft produced by Eclipse (serial number 004), and became the first owner-pilot to qualify in the Eclipse 500.

Edward Lundeen, Senior Vice President, Business Operations

Ed has responsibility for Eclipse Aerospace's business operations which includes; Supply Chain Management, Contracts, Information Technology, Human Resources and Facilities Management. During his 30+ year career, Ed has served as Vice President, International Business and Vice President, Contracts for Eclipse Aviation; Director of Contracts for Iomega Corporation; Regional Director, Supply Chain Management for Phelps Dodge Mining Company; and, Manager of Purchasing for San Diego Gas & Electric. Ed earned an MBA from Western New Mexico University and a Bachelor of Science degree in Marketing from Arizona State University. He has published papers on outsourcing, contracting, procurement, reverse auctions, buyer training, and ERP selection and implementation. Ed has also been an adjunct professor where he taught upper division business courses at the university level.

Cary Winter, SVP Manufacturing, Engineering, and Technical Operations

Cary brings over 30 years of aviation and aircraft maintenance experience. He continues in the family tradition of aviators, with family members having served as pilots, ATC, and FAA inspectors. Mr. Winter holds degrees in Aviation Maintenance and Electronic Engineering as well as A&P, IA & NDT Level II ratings. He has served in numerous supervisory and management roles with AirNet Systems and NetJets, two of the world's largest FAR 135 operators. These duties included Parts Manager, Chief Inspector, Heavy Maintenance Manager, Field Service, and Director of Maintenance. Mr. Winter has completed factory training on various aircraft including, Bell Helicopter, Citation, Westwind, Hawker, Falcon, Gulfstream and Boeing Business Jets. His experience in large fleet management includes previous working experience with numerous aircraft manufacturers.

Exhibit B

Eclipse Aerospace Project--Wages and Benefits

EAI expects to add 100 employees to their 175 employee base level, for a total of 275 by December, 2015. Current annualized payroll (as of August, 2013) was \$13.75 million. The average production salary will be \$45,000, plus a standard benefits package valued at 20-22% of salary. The average professional/technical/administrative salaries will be \$91,000 per year.

Operation of the facility requires three groups of workers: (i) production employees, (ii) maintenance and operations employees, and (iii) non-production employees. Production employees are engaged in the operation of the production lines, and the production/ assembly of the airplane components and final assembly of the aircraft. Maintenance and operations employees service existing Eclipse Aerospace aircraft. Non-production employees include management, engineering, human resources, sales, accounting and other necessary functions not directly related to production. Jobs are defined as full-time EAI employees with 32 or more hours per week, and come with full benefits.

Wage Class and Type	% of Employees
Class 1-3 <\$25,000	0
Class 4 \$25-35,000 Line workers	4%
Class 5 \$35-50,000 HR & Logistical Assistants	35%
Class 6 \$50-75,000 line maintenance & management, other administrative positions	29%
Class 7 \$75-100,000 Management	16%
Class 8 \$100-150,000 Management	14%
Class 9 \$150,000+	2%

(These wage classes are based on categories used by the Bureau of Business and Economic Research.)

All these jobs are considered full time positions, and come with employee benefits. EAI pays 80% of the premiums for medical and dental insurance, and EAI pays 100% of the premium for accidental death and dismemberment insurance, short term disability and long term disability. They offer a discounted vision plan for which the employee pays the minimal monthly premium. They also offer life insurance to a multiple of the employee's annual salary as well as spouse life insurance (life insurance is an employee paid premium). They have a 401K program with a company match, 8 paid holidays, paid vacation (2 weeks the first year, 3 weeks starting in the 2nd year and 4 weeks starting in the 5th year) and paid sick leave (unused sick leave converts to additional vacation days in the following year).

Project Participation Agreement

This Project Participation Agreement is made as of this _____ day of _____, 2014 by and between the CITY OF ALBUQUERQUE, NEW MEXICO (the "City"), and ECLIPSE AEROSPACE, INC., a Delaware corporation with its principal place of business at 2503 Clark Carr Loop SE, Albuquerque, NM 87106 ("Eclipse").

WHEREAS, it is the policy of the City to aid and encourage the location of desirable business enterprises in the City and to facilitate a favorable governmental atmosphere for enriching the lives of its citizens by supporting the development of a healthy economy; and

WHEREAS, pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City has adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance; and

WHEREAS, Eclipse, the State of New Mexico (the "State"), and the City are parties to a certain Memorandum of Understanding dated September 16, 2013 (the "MOU"), in which each party expressed an intent, subject to legislative approval in the case of the City, to make certain contributions towards the Project, as defined below; and

WHEREAS, Eclipse has submitted to the City an application in the form attached to this Agreement as Exhibit A (the "Eclipse Application") proposing that, in exchange for certain LEDA assistance described below, Eclipse will undertake and complete a certain project, which is defined to include the following elements (the "Project"):

Continued occupancy, pursuant to its lease with the City's Aviation Department, of 202,984 square feet of space in multiple buildings located at Albuquerque International Sunport (collectively, the "Facility") leased by Eclipse pursuant to a lease with the City's Aviation Department (the "Lease");

Maintenance of base employment of 175 employees and the hiring of at least 100 additional employees in aircraft assembly and other managerial and administrative functions; and

Maintenance of at least 248 total employees through December 31, 2018.

WHEREAS, Eclipse currently leases the Facility from the City's Aviation Department for a monthly rental of \$105,870; and

WHEREAS, the Eclipse Application proposes that in exchange for Eclipse undertaking and completing the Project, the City use funds obtained from the State and otherwise available to the City, pursuant to LEDA, to pay a portion of Eclipse's rent for the Facility on a monthly basis as such rent comes due, on the terms set forth herein; and

WHEREAS, the City has determined that the cost-benefit analysis with respect to the Project, based on assessments obtained by the City on the basis of information provided to the City by Eclipse, shows that the City will recoup the value of its contribution within ten (10) years; and

WHEREAS, the Eclipse Application clearly demonstrates that the Company, by completing the Project, will be making a substantive contribution to the community, as required by the LEDA Ordinance; and

WHEREAS, the total amount of public money expended and the value of credit pledged in each fiscal year in which that money is expended by the City for economic development projects pursuant to LEDA does not and will not exceed five percent of the general fund expenditures of the City in that fiscal year; and

WHEREAS, the City anticipates receiving an appropriation of funds allocated from the State with the direction of the State to convey these funds to the benefit of Eclipse via LEDA; and

WHEREAS, LEDA and the LEDA Ordinance require the parties to enter into a Project Participation Agreement meeting the requirements of LEDA and the LEDA Ordinance; and

WHEREAS, the City has adopted Ordinance No. O-__ -__ (the "Project Ordinance") (i) finding that Eclipse is a qualifying entity as defined in Section 5-10-3(G) NMSA, (ii) approving the Eclipse Application for assistance with the Project pursuant to the LEDA Ordinance, which Application proposed that the City direct \$397,014 in funds appropriated from the State for fiscal year 2014 and \$238,200 in funds to be committed by the City in fiscal year 2014, all to finance certain statutorily eligible expenses of the Project consisting of rent payments, and (iii) approving this Agreement;

NOW, THEREFORE, in consideration of these premises and the agreements by the parties set forth herein, Eclipse and the City further agree as follows:

1. Goals and Objectives. The goals and objectives of the Project are to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the Project will provide job growth and career opportunities and otherwise make a substantive contribution to the community as set forth in this Agreement and in the Eclipse Application.

2. Company Contribution. Eclipse will continue to occupy the Facility pursuant to the Lease, will diligently conduct aircraft assembly, administrative, and managerial operations at the Facility, and will hire and maintain employees as contemplated by this Agreement, all in accordance with the schedule and other terms and conditions set forth in this Agreement.

3. The State Contribution; Procedure for Disbursement of the State Contribution. The City anticipates that \$397,014 (the "State Contribution") will be delivered by the State to the City for subsequent disbursement to Eclipse, upon enactment of the Eclipse LEDA ordinance and execution of these documents and the intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds.

Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contributions to Eclipse in the manner described in this Agreement.

4. The City Contribution.

A. Cash Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed the amount of \$238,208 to be used in connection with the Project (the "City Contribution").

B. In the event Eclipse requires City permits in connection with the Facility during the term of this Agreement, the City will provide Eclipse with fast-track permitting for any such permits. The City will provide priority service and plan review and will use commercially reasonable efforts to resolve permitting issues within 48 hours. The City's Planning Director or her designee will serve as the single point of contact for permitting aspects of the Project and will be empowered to resolve issues that are within the City's control regarding any delays in the permitting process.

5. Deposit of Funds. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account (which may be the account into which the State Contribution is deposited), which account will be subject to an annual independent audit.

6. Time Commitment. Eclipse is currently operating and conducting aircraft assembly and maintenance operations in the Facility, as well as administrative and managerial functions. Eclipse will continue to occupy the Facility and diligently conduct aircraft assembly and maintenance, administrative and managerial operations in the Facility in the manner contemplated by this Agreement at least through December 31, 2023.

7. Use of City and State Contributions. For every ten (10) new full-time employees hired by Eclipse in Albuquerque to fill Jobs (as defined below), up to 100, above the base employment of 175, Eclipse will earn a Rent Credit in an amount equal to \$63,522.20, or sixty percent (60%) of the amount of rent due for the Facility for one month. Eclipse will be eligible to earn a maximum of ten Rent Credits. Should the amount of Eclipse's monthly lease rate change, the maximum amount of the Rent Credit that Eclipse can earn shall be the lesser of sixty percent (60%) of the new lease amount or \$63,522.20. At no time shall the total amount of Rent Credit possible exceed \$635,222. Eclipse will advise the City each month of its progress in hiring additional employees to fill Jobs.

8. Job Commitment and Clawbacks.

A. Number of Jobs. Eclipse will create, and hire employees for, 100 Jobs by December 31, 2015. A Job will represent an employment position consisting of at least 32 hours of work per week and offering the employee the full range of benefits offered to other similarly situated Eclipse employees from time to time. Positions filled by contract, part-time and temporary workers will not be considered Jobs. No Jobs will be double counted; "Jobs" refers to net new Jobs over and above the base employment of 175. For avoidance of doubt, if the

number of employees falls below 175, no new positions will be considered to be Jobs until the 175-employee level has been reached again. In addition, if Jobs are added and then total employment is reduced, no new positions will be considered to be Jobs until the highest level of employment in effect prior thereto is attained again.

B. Wages and Benefits. Eclipse anticipates that the Jobs will fall within the wage ranges and will come with the benefits shown on Exhibit B. However, failure to meet the wage and benefit projections shown on Exhibit B shall not constitute an Event of Default (defined below) or form the basis for any clawback payment.

C. Performance Clawbacks. If Eclipse does not add at least 100 Jobs by December 31, 2015 and does not maintain at least 248 employees for at least three (3) years, then subject to the remainder of this Section 8.C, Eclipse will repay to the City, ten percent (10%) of the total amount of the City Contribution and State Contribution paid on behalf of Eclipse pursuant to this Agreement to the date of repayment (the "Performance Clawback"). The Performance Clawback will be due on December 31, 2015 if Eclipse has not added 100 Jobs by such date. If Eclipse has added 100 Jobs by such date, then no Performance Clawback will be due to the City unless and until any such date, on or before December 31, 2018, that Eclipse fails to maintain at least 248 employees. The Performance Clawback will be payable on the last day of the month following the month in which Eclipse fails to maintain at least 248 employees. Notwithstanding the foregoing, if Eclipse fails to hire 100 or more employees for Jobs by December 31, 2015, or fails to maintain at least 248 employees for three years after it reaches such amount, and believes Business Climate Changes were the cause for its failure to meet either of such requirements, Eclipse will so advise the City in writing by December 31, 2015, if it has failed to meet the 100-employee requirement, or at the time it no longer employs 248 employees if that is the requirement not met, describing the Business Climate Changes in detail. "Business Climate Changes" means substantial changes, outside of the control of Eclipse, in the segment of the aviation industry in which Eclipse operates, that cause a significant decrease in the amount of sales Eclipse is able to achieve. (The shifting of Eclipse's operations to another facility will not constitute a Business Climate Change.) In such event, payment of the Performance Clawback with respect to the City Contribution (37.5% of the total Performance Clawback amount) may be stayed pending the City's determination; payment of the Performance Clawback with respect to the State Contribution (62.5% of the total Performance Clawback Amount) will be due and payable as provided above.

If the City determines that Business Climate Changes affect Eclipse's ability to maintain employment levels, it may waive or modify the Performance Clawback, but only related to the City Contribution and not with respect to any portion of the State Contribution. The City will notify Eclipse of its decision within 45 days after Eclipse's request for a waiver or modification. Any Performance Clawback due with respect to the City Contribution will be paid within 15 days after the City notifies Eclipse of its decision. If Eclipse does not attribute the failure to meet employment requirements to Business Climate Changes, the payment of any Performance Clawback due to the City will be submitted to the City within ten (10) days after the due date of the annual report reflecting the failure to maintain the required employment level.

D. Facility Closure Clawback. Should Eclipse cease operation of the Project (i.e., cease to conduct aircraft assembly and maintenance, administrative and managerial

operations at the Facility) before December 31, 2023, Eclipse shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid as Rent pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table:

Date of Cessation of Operations	Percent of City Contribution and State Contribution to be Repaid
On or before December 31, 2016	100%
Between January 1, 2017 and December 31, 2018	75%
Between January 1, 2019 and December 31, 2023	25%

If, prior to December 31, 2023, Eclipse determines to cease or significantly reduce operations, it will promptly inform the City of such determination. Winding down of the Company’s operations at the Facility in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the City in its sole reasonable discretion.

Eclipse will notify the City in writing of any intent to cease operation of the Project or wind down operation of the Project at least thirty days prior to implementing any wind-down or cessation of the Project. “Winding down” operations includes layoffs of employees.

E. Unpaid Payments. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. “Prime Rate” means the U.S. Prime Rate as reported from time to time in the Wall Street Journal in its Money Rates Table, or successor table.

9. Security. To secure the performance of its obligations under this Agreement, Eclipse will, simultaneously with the execution of this Agreement, enter into an Aircraft Security Agreement in the form attached to this Agreement as Exhibit C (the “Security Agreement”) and grant to the City a security interest in the aircraft described therein.

10. Events of Default and Remedies.

A. Failure to Comply With Obligations. Failure by Eclipse to comply with any other obligation under this Agreement or the Security Agreement, including without limitation, the failure to make timely payment of any clawback payment or other amount due hereunder or under the Security Agreement, shall be an Event of Default. Notwithstanding the foregoing, failure to meet employment projections or facility closure following commencement of manufacturing operations shall not be considered an Event of Default; however, the failure to

make timely payment of any clawback payment due as a result thereof shall be an Event of Default.

B. If any Event of Default occurs, the City shall notify Eclipse in writing, and Eclipse shall have thirty (30) days in which to cure such Event of Default. If the Event of Default is not cured within such thirty-day period, the City shall have and may exercise any remedies available at law or in equity.

C. Excusal. The City may modify or waive any Event of Default or may otherwise refrain from enforcing its rights or exercising its remedies under this Agreement if it determines that Eclipse's failure to perform its obligations under this Agreement is due to Business Climate Changes, as defined in Section 8.C of this Agreement.

11. Fees. Eclipse will promptly pay or reimburse the City for reasonable third-party expenses incurred by the City in connection with this Agreement and the Project and, such third-party expenses may be offset against or reimbursed from the City Contribution or the State Contribution. Although the City does not anticipate incurring significant third-party expenses during the term of this Agreement, such expenses could include, without limitation, expenses associated with legal fees for outside counsel in the event of any proposed amendment to this Agreement or any necessary enforcement action with respect to this Agreement

12. Annual Reporting Requirement, Performance Review and Termination. At a time determined by the City, but no less frequently than annually, Eclipse will provide to the City data on its workforce and such other information necessary for the City or its independent contractor to determine whether Eclipse has met its obligations under this Agreement. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the goals and objectives set forth in Section 1 of this Agreement. This review shall be presented to the City administration and the City Council. If the goals and objectives are not being attained, the City Council at a public hearing may terminate assistance to the Project by passage of an ordinance which terminates this Agreement and specifies the disposition and obligations of the Project. In addition, pursuant to LEDA, the City may enact an ordinance terminating the LEDA Ordinance and dissolving or terminating any or all projects. In the event that the City terminates the LEDA Ordinance or this Agreement, the City will specify the disposition and obligations of the Project after satisfying this Agreement and all rights of the parties arising under this Agreement through the date of such termination.

13. Dispute Resolution. The parties will work in good faith to resolve any disputes that arise hereunder. In the event of a dispute between the parties, the President and CEO of Eclipse, or his designee, and the Director of the City's Economic Development Department shall meet and attempt in good faith to resolve the dispute. If they are unable to resolve the dispute, the President and CEO of Eclipse and the City's Chief Administrative Officer shall meet and attempt in good faith to resolve the dispute. Nothing contained in this Agreement constitutes a waiver of any party's right to seek judicial relief.

14. Force Majeure. Neither party shall be liable to the other party for any failure to perform any provisions or obligations of this Agreement if such failure to perform is caused by

or results directly or indirectly from Force Majeure. "Force Majeure" means any cause beyond the reasonable control of a party affected, including but not limited to, any acts of God, fire, flood, storm, strike, riot or civil disturbance, war, earthquake, lightning, epidemic, labor disturbance, sabotage, or restraint by court or public authority, or any other cause beyond the reasonable control of a party affected whether similar or dissimilar to the ones listed, which makes it impossible or unreasonably difficult for a party to perform its obligations under this Agreement. Nothing contained in this paragraph shall be construed to require either party to prevent or settle a strike against its will. The party unable to perform its obligations due to Force Majeure will provide notice to the other party within five (5) days of its becoming aware of the Force Majeure of its inability to perform and its expectations as to when, if ever, it will be able to resume its obligations. "Business Climate Changes" are not within the definition of Force Majeure.

15. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by a recognized overnight delivery service, by fax, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown in the signature block of this Agreement. If notice is mailed, it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. If any written notice is sent by facsimile or electronic mail, it will be deemed received upon printed or written confirmation of the transmission. A party may change its notice address by written notice to the other party to this Agreement.

16. Miscellaneous. This Agreement binds and inures to the benefit of the City and Eclipse and their respective successors and permitted assigns. This Agreement may not be assigned without the written consent of the non-assigning party. This Agreement, together with the Lease, represents the entire agreement of the parties on the subject hereof and supersedes all prior agreements or understandings between the parties, whether written or verbal. This Agreement may be amended or modified, and the performance by any party of its obligations under this Agreement may be waived, only in a written instrument duly executed by both parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument. This Agreement is governed by and is to be construed in accordance with the laws of New Mexico applicable to agreements made and to be performed in New Mexico.

17. Effective Date. This Agreement will be effective on _____, 2014 (the "Effective Date").

CITY OF ALBUQUERQUE,
NEW MEXICO

ECLIPSE AEROSPACE, INC.,
a Delaware corporation

By _____
Name: Robert J. Perry
Title: Chief Administrative Officer

By _____
Name: Mason Holland
Title: President and CEO

Address for notice:

One Civic Plaza NW
Albuquerque, NM 87103

Tel: _____

Fax: _____

Email: _____

Address for notice:

2503 Clark Carr Loop SE
Albuquerque, New Mexico 87106

Tel: 505-724-1000

Fax: 505-241-8943

Email: mason.holland@eclipse.aero

With a copy to:

City Attorney

One Civic Plaza NW

Albuquerque, NM 87103

Tel: _____

Fax: _____

Email: _____

Mailing Address:

P.O. Box 1293

Albuquerque, NM 87103

Exhibits

Exhibit A Application for LEDA Assistance
Exhibit B Wages and Benefits
Exhibit C Security Agreement

AIRCRAFT SECURITY AGREEMENT

THIS AIRCRAFT SECURITY AGREEMENT (this “**Agreement**”) is made as of the ___ day of _____, 2014, by and between **Eclipse Aerospace, Inc.**, a Delaware corporation (the “**Owner**”), having an address at 2503 Clark Carr Loop SE, Albuquerque, New Mexico 887106, in favor of the **City of Albuquerque, New Mexico** (the “**Secured Party**”), having an address at One Civic Plaza, Albuquerque, New Mexico 87102.

PRELIMINARY STATEMENTS

(a) The Secured Party and the Owner are entering into an arrangement whereby the City has agreed to provide to Owner certain financial assistance pursuant to the New Mexico Local Economic Development Act (the “**Project**”) as more fully set out in the Project Participation Agreement between the parties dated as of the date hereof (as the same may be amended, modified, supplemented, extended or restated from time to time, the “**Project Participation Agreement**”).

(b) As a condition precedent to the funding of the Project under the Project Participation Agreement, the Secured Party has required the Owner to secure payment of the obligations under the Project Participation Agreement by the grant of the Security Interest (as defined below) in certain collateral under the terms of this Agreement.

NOW THEREFORE, in consideration of the premises and in order to induce the Secured Party to enter into the Project Participation Agreement, the Owner hereby agrees with the Secured Party as follows:

1. DEFINITIONS.

1.1 Definitions. Certain terms not defined in the Preliminary Statements above are defined as follows:

1.1.1 “Aircraft” means the Airframe, Engine and Parts covered by this Agreement and as more particularly described in the attached Exhibit A, including all substitutions and equipment added to this Agreement at a later date.

a. “Airframe” means the airframe listed by manufacturer’s serial number on Exhibit A and all Parts from time to time installed on, attached to or incorporated in such airframe.

b. “Collateral” means, collectively whether now owned or hereafter acquired, (i) the Aircraft; (ii) all right, title and interest of Owner in and to any Associated Rights, guarantees, warranties (including manufacturer’s warranties), purchase agreements, bills of sale (including the bill of sale whereby Owner obtained title to the Aircraft (the “**Bill of Sale**”) or other agreement(s) respecting the Aircraft, including, but not limited to, the Third Party Agreements, and the Owner’s rights to receive, either directly or indirectly, from any party or person, any payments due under such agreement(s); (iii) the proceeds of any of the foregoing items (i) through (ii), including, but not limited to, proceeds of insurance covering the Aircraft, and/or any other portion of the Collateral, and any and all accounts, general intangibles, contract rights, inventory, equipment, money, drafts, instruments, deposit accounts, or other tangible and intangible property of the Owner resulting from the sale (authorized or unauthorized) or other disposition of the Collateral, or any portion thereof, and the proceeds of such proceeds; and (iv) all technical data, records, manuals, logs and similar documents

relating to the Aircraft (whether kept or to be kept in compliance with the regulations of the State of Registration or otherwise).

c. “FAA” means and refers to the United States Federal Aviation Administration, or any successor or replacement administration or governmental agency having the same or similar authority and responsibilities.

d. “Engine” means (i) each of the engines listed by manufacturer’s serial number in Exhibit A to this Agreement, whether or not any such engine is installed on the Aircraft, is installed on another aircraft or is not installed on any aircraft, and (ii) all Parts from time to time installed on, attached to or incorporated in such engine. The term “Engine” shall also include any Substitute Engine which becomes subject to the terms of this Agreement pursuant to the terms of Section 4.5.3 hereof.

e. “Event of Default” means any default under the Project Documents or any other agreement, certificate or instrument delivered by Owner in connection with the Project Documents, or any default under this Agreement as defined and described in Section 6. **Any such Event of Default shall constitute a default as set forth in Article 11 of the Convention.**

f. “Event of Loss” has the meaning set forth in Article 5.

g. “Fair Market Value” means the estimated price that an asset could sell for if offered in the market in an arm’s length transaction to a third-party purchaser.

h. “Lien” or “Liens” means any lien (statutory or otherwise), security interest, security agreement, deed of trust, pledge, negative pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance, registration, defect or cloud on title or similar right of others, or any agreement to give any of the foregoing, excluding any liens for taxes imposed by any governmental authority not yet due or delinquent.

i. “Project Documents” means this Security Agreement, the Project Participation Agreement, and any other agreement, certificate or instrument delivered by Owner to the Secured Party in connection with the Project.

j. “Project Participation Agreement” means the Project Participation Agreement between the Owner and the Secured Party dated the date hereof.

k. “Obligations” means all obligations arising from or with respect to (i) the Project Participation Agreement, including but not limited to all loans, advances, debts, liabilities, penalties and obligations for the performance of covenants, tasks, or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by Owner to the Secured Party and/or its affiliates under the Project Documents, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement, or other instrument, arising thereunder. This term includes, without limitation, all principal, interest (including, without limitation, interest that accrues after the commencement of any bankruptcy, reorganization or similar proceeding), fees, charges, expenses, penalties, attorneys’ fees, and other sums chargeable to the Owner under any of the Project Documents, and (ii) any and all other liabilities and obligations of the Owner or related entities to the Secured Party whether now existing or hereafter incurred, matured or unmatured, direct or contingent, either as principal, guarantor, endorser, or in any other capacity, and whether created by direct dealing with Secured Party or through transfer from others, and regardless of the nature and form of indebtedness or

obligation; (iii) any and all interest on any of the above obligations, (iv) any and all costs and expenses incurred in the collection of any of the foregoing, including all court costs and attorney's fees; (v) any and all extensions, renewals, substitutions and changes in form of the above obligations, including but not limited to all extensions, renewals, substitutions and changes in form of the Project Documents; and (vi) any and all advances made by the Secured Party to protect the security hereof, and all interest on any and all moneys expended or advanced by the Lender hereunder or pursuant hereto.

1. "Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than complete Engines or engines) which may from time to time be installed on, attached to or incorporated in the Aircraft or any of the Engines or the Auxiliary Power Unit.

m. "Permitted Liens" means (i) the Security Interest created pursuant to this Agreement, (ii) liens arising by operation of law relating to taxes not yet due and payable, and (iii) artisan's liens arising by operation of law securing obligations not in default.

n. "Security Interest" shall have the meaning set forth in Section 2 of this Agreement.

o. "Substitute Engine" means a single engine, which has a Fair Market Value at least equal to the Fair Market Value of the Engine for which that engine is substituted immediately prior to such substitution, assuming the Engine for which the substitution was made was in the condition and repair required by this Agreement.

p. "Third Party Agreements" means any and all leases, subleases, management agreements, maintenance or services agreements, interchange agreements, charter agreements, pooling agreements, timeshare agreements, and any other similar agreements or arrangements relating to the Aircraft or any part thereof.

2. SECURITY INTEREST AND ASSIGNMENT. As security for the due and punctual payment and performance of all the Obligations, the Owner does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge, create and confirm, unto the Secured Party for the benefit of the Secured Party, a security interest in, and lien on, and the immediate and continuing right to receive payments in respect of the Collateral (collectively, the "Security Interest"). The Security Interest is a present assignment and grant and shall be effective and attach with respect to each item of Collateral, immediately upon the execution and delivery of this Agreement and shall not be conditioned upon the occurrence of an Event of Default. The Owner and Secured Party acknowledge and agree that this Agreement, and the Security Interest created hereby, are intended to constitute a security agreement for purposes of the Transportation Code and Uniform Commercial Code ("UCC").

3. REPRESENTATIONS AND WARRANTIES OF OWNER. The Owner hereby represents and warrants that in the case of the Aircraft:

3.1 Warranty of Title. The Owner is the legal and equitable owner of the Collateral and has good and marketable title to the Collateral, free and clear of all Liens, other than those created hereunder and Permitted Liens.

3.2 Organization; Authority; No Consents. The Owner is a corporation duly organized, validly existing and in good standing under the laws of Delaware. The Owner has full power and authority to grant the Security Interest granted hereby in the Collateral and to execute, deliver and

perform in accordance with the terms of this Agreement without the consent of any other person or entity. The Owner has never had another name nor been organized in another jurisdiction.

3.3 No Financing Statements. There is no financing statement, registration, recordation or other public filing now on file in any public office covering any of the Collateral (including but not limited to the FAA Aircraft Registry), except the filings, recordation and registrations in favor of Secured Party pursuant to the Project Documents.

3.4 Registration of Airframe. The Airframe shall at all times be duly registered with the FAA in the name of the Owner. This Agreement shall be duly filed for recording with the FAA as a Security Interest against the Aircraft.

3.5 Perfected Lien. Upon due filing with the FAA and the filing of Uniform Commercial Code financing statements describing the Security Interest created hereby, this Agreement shall constitute a duly perfected first priority Security Interest in all the Collateral.

3.6 No Conflict with Other Agreements. The Owner is not a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects its business, property, assets or financial condition. Neither the execution and delivery of this Agreement nor fulfillment or compliance with the terms and provisions hereof or thereof, will conflict with or result in a breach of the terms, conditions or provisions of, or result in a default under or violation of, any material agreement, instrument, judgment, decree, statute, law, rule or regulation to which the Owner is subject.

3.7 No Actions or Proceedings. There is no action or proceeding against, or investigation of, the Owner pending or threatened which questions the validity of this Agreement or the Owner's ability to perform its obligations hereunder.

3.8 No Authorization. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Owner of this Agreement except for the filing of this Agreement in accordance with Section 3.5 hereof and the filing of appropriate financing statements, all of which have been duly obtained or made and are in full force and effect.

4. COVENANTS OF THE OWNER. The Owner hereby covenants that, until all Obligations have been paid and performed in full:

4.1 No Transfers. The Owner will not sell, assign, lease, transfer or relinquish possession or control or otherwise dispose of any right, title or interest of the Owner in the Collateral or any part thereof or any interest therein; provided, however, that the Owner may without the prior written consent of the Secured Party (i) deliver temporary possession and control of any Aircraft, Engine or Part to the manufacturer thereof for testing or to any organization for service, maintenance, overhaul or repair or, to the extent permitted hereunder, for modification or additions; and (ii) in the ordinary course of testing, servicing, maintenance, repair or overhaul, remove any Part from any Aircraft provided that the Owner replaces such Part as promptly as possible with a Part which has a value and utility at least equal to the Part being replaced and is owned by the Owner free and clear of all Liens other than Permitted Liens, and any such replacement Part shall thereby become subject to the Lien of this Agreement without necessity of further act; provided, however, that any Part removed from any Aircraft for any purpose shall remain subject to the Lien of this Agreement until replaced by a replacement Part as provided above in this clause. Any lease or similar agreement pursuant to which the Collateral is made available to

others shall contain an express covenant that the same will not be registered on the International Registry without the written consent of Secured Party.

4.2 Security Interest. The Owner will, at its own expense: (i) take any and all actions necessary to preserve, protect and defend the Security Interest in the Collateral and the first priority thereof against any and all adverse claims, and (ii) keep the Collateral free and clear of any and all Liens, other than the Security Interest created hereunder and Permitted Liens, and shall pay, and the Owner hereby indemnifies the Secured Party from and against, when due any and all taxes, fees and assessments levied or assessed upon or against the Aircraft or relating to its use, including without limitation all property taxes, landing and airport fees and hangar and storage charges.

4.3 Registration. The Owner will cause the Aircraft to remain duly registered with the FAA in the name of the Owner. The Owner may, upon prior written notice to the Secured Party, change the registration number of the Aircraft.

4.4 Home Airport; Place of Business, Principal Residence. The home airport of the Aircraft shall be "Albuquerque International Sunport" located at Albuquerque, New Mexico. The home airport will not be changed without the prior written consent of the Secured Party. The Owner shall notify the Secured Party in writing at least 30 days prior to any change in the Owner's principal place of business, name, jurisdiction of organization or location. In extension of the foregoing, the Owner shall not effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Secured Party to continue at all times following such change to have a valid, legal and perfected first priority Security Interest in all the Collateral.

4.5 Maintenance; Replacement of Parts; Alterations; Modifications and Additions.

4.5.1 Maintenance. The Owner will, at its own expense, maintain, service, repair, overhaul and test the Aircraft and make all necessary replacements so as to (i) keep the Aircraft in good operating condition, (ii) keep the Aircraft duly certified as airworthy under FAA requirements, and (iii) accomplish any FAA or manufacturer's airworthiness directives applicable to the Aircraft, as well as all licensing and re-licensing with respect thereto which may be required by any domestic or foreign governmental authority having jurisdiction. In addition, the Owner will, at its own expense, maintain all records, logs and other materials required by the FAA or manufacturer's warranty to be maintained in respect of the Aircraft.

4.5.2 Replacement of Parts. The Owner will, at its own expense, promptly replace all Parts which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. The Owner shall report to the Secured Party the replacement of any Part having a cost in excess of \$10,000.00.

4.5.3 Replacement of Engines. The Owner may remove any Engine only to repair, overhaul or test the same. Without the prior written consent of the Secured Party, the Owner will not install or attach, or permit the installation or attachment of, any Engine on other aircraft. Upon written request of the Owner, the Secured Party may, so long as there shall exist no Event of Default, release from the Security Interests created hereby any Engine; provided, however, that prior to such release the Owner shall have created in the Secured Party a first priority Security Interest hereunder in a Substitute Engine which shall be and remain free and clear of all Liens other than Permitted Liens and liens arising hereunder or permitted hereby. Such Substitute Engine shall thereafter be an Engine and part of the Collateral for all purposes of this Agreement. Prior to the substitution of any such Engine, the

Owner will (i) execute and deliver to the Secured Party a supplement hereto specifically describing the Substitute Engine by make, model and serial number and, to the satisfaction of the Secured Party, subjecting the Substitute Engine to this Agreement, (ii) deliver evidence of having obtained insurance covering the Substitute Engine, (iii) if the substitute engines qualifies for recordation at the FAA, file such supplement for recording with the FAA. Additionally, Owner consents to the Secured Party making the appropriate UCC filings to evidence a lien in the Substitute Engine. Notwithstanding any of the foregoing, the Owner may substitute an engine in the Aircraft in the event that the Engine has been removed for necessary repair or maintenance and such substituted engine has been attached to the Aircraft on a temporary basis until the return of such original Engine.

4.6 Alterations, Modifications and Additions. The Owner will make such alterations of and modifications to the Aircraft as may be required from time to time to meet the standards of the applicable governmental aviation authority and, otherwise shall not, without the prior written consent of the Secured Party (in its sole discretion), make any other alterations, modifications or additions to the Aircraft.

4.7 Compliance with Laws; Use. The Owner will comply with or cause to be complied with, at all times and in all material respects, all statutes, laws, ordinances and regulations of the United States, and all other states and governmental, regulatory or judicial bodies applicable to the Collateral or any part thereof, or to the use, operation, maintenance, overhaul or condition of the Aircraft, and with all licenses, permits and certificates issued to the Owner or any other person relating to the Aircraft. The Owner will not use, maintain or operate, or permit the use, maintenance or operation of, the Aircraft in material violation of any applicable statute, ordinance, regulation, order or policy of insurance thereon, or in material violation of any airworthiness certificate, license, registration or permit or for any illegal purpose. The Owner will not operate or permit the operation of the Aircraft in any jurisdiction outside the United States without having obtained (i) the prior written consent of Secured Party, (ii) war risk and confiscation insurance coverage in an amount and extent acceptable to Secured Party (in its sole discretion), and (iii) any insurance required by local law. The insurance referenced in (ii) and (iii) above shall be evidenced in a certificate issued by the Owner's insurance broker or the applicable insurance company delivered to Secured Party prior to any flight outside the United States and in a form acceptable to the Secured Party (in its sole discretion).

Without limiting the generality of the foregoing, the Owner agrees that at no time during the effectiveness of this Agreement shall the Aircraft be operated in, located in, or relocated to, by the Owner or any other person or entity, (i) Iran, Iraq, Cuba, North Korea, or Libya, (ii) unless otherwise agreed to by Secured Party in writing in its sole discretion, any jurisdiction for which a travel warning is then in effect from the U.S. Department of State (without limitation, reference is made to the website http://travel.state.gov/travel/cis_pa_tw/tw/tw_1764.html for a list of such countries on the date hereof), (iii) any jurisdiction for which the Secured Party has notified the Owner in writing in its sole discretion (which may be based upon, among other things, war or terrorism risk, civil unrest, or the ineffectiveness of Secured Party's rights and remedies hereunder) that in which it is unwilling to permit the Aircraft to be situated, or (iv) in which the policies of insurance (including without limitation, war risk insurance) would not be in full force and effect as and to the extent required by this Agreement. Additionally at no time shall the Aircraft be operated in or over any area which may expose Secured Party to any penalty, fine, sanction or other liability, whether civil or criminal, under any applicable law, rule, treaty or convention. The Aircraft shall not be used in any manner which is or is declared to be illegal and which may thereby render the Aircraft liable to confiscation, seizure, detention or destruction.

4.8 Inspection. The Owner shall keep accurate and complete logs, books and records with respect to the Collateral, in accordance with sound business practices. The Secured Party will have the right to inspect any part of the Collateral and all logs, books and records maintained or required to be

maintained with respect thereto at all reasonable business hours and upon reasonable notice and to discuss the affairs, finances and accounts of the Owner.

4.9 Recordation and Filing; Further Documents; No Other Liens. The Owner shall from time to time make, execute, acknowledge and deliver all such further documents, instruments and assurances, including without limitation financing statements and lease assignments, and take such further action as may be reasonably requested by the Secured Party to protect or preserve the Security Interests created by and to carry out the intent of this Agreement (including, without limitation, documents and authorizations necessary to properly evidence such Security Interest with the FAA and to register such interests with the International Registry). The Owner hereby authorizes the Secured Party to file financing statements and amendments thereto relating to all or any part of the Collateral, where desirable in the Secured Party's judgment to perfect the Security Interests created hereby without the signature of the Owner (where permitted by law). The Owner shall not create or suffer to exist any Lien on the Collateral in favor of any person other than the Secured Party other than Permitted Liens.

4.10 Reimbursement of Expenses. The Owner shall promptly reimburse the Secured Party for any and all sums, including reasonable costs, expenses and reasonable attorneys' fees, which the Secured Party may pay or incur in perfecting, filing, registering, defending, protecting or enforcing the Security Interests created by this Agreement or the priority thereof, or in enforcing or collecting the Obligations, or in discharging any adverse claim against the Collateral or any part thereof, or by reason of becoming or being made a party to or intervening in any action or proceeding affecting the Collateral or the rights of the Secured Party therein, all of which actions the Secured Party shall have the right to take.

4.11 Insurance.

4.11.1 Public Liability, Property Damage and War Risk Insurance. The Owner will maintain at its own expense with respect to the Aircraft (i) public liability insurance (including without limitation contractual liability, passenger legal liability insurance and insurance for product liability or strict liability in tort) totaling an amount not less than \$5,000,000 per occurrence, (ii) property damage liability insurance in amounts and of the type usually maintained by persons engaged in the same or similar business, similarly situated with the Owner, and owning or operating similar aircraft and engines, which covers risks of the kind customarily insured against by such persons, but in any event such amount shall not be less than \$5,000,000, and (iii) war risk liability insurance totaling an amount not less than \$5,000,000 per occurrence. All policies of insurance required to be maintained by this Section 4.11.1 shall name the Secured Party as an additional insured.

4.11.2 Insurance Against Loss or Damage to the Aircraft. The Owner will maintain at its own expense all-risk ground and flight aircraft hull insurance covering the Aircraft, and fire and explosion coverage, including lightning and electrical damage, with respect to the Aircraft and with respect to the Engines while removed from the Aircraft of the type and in substantially the amounts usually maintained by persons engaged in the same or a similar business, similarly situated with the Owner. In any event, such insurance as to the Aircraft shall at all times be in an amount which is not less than the greater of full replacement cost of the Aircraft or \$635,222. All policies of insurance required to be maintained by this Section 4.11.2 shall name the Secured Party as additional insured and loss payee as its interests may appear.

4.11.3 General. All insurance required by this Agreement shall:

a. be maintained in effect with insurers of recognized responsibility reasonably satisfactory to the Secured Party, shall be in full force and effect as of this date and shall continue in effect until the Obligations have been discharged in full;

b. provide that, if the insurers cancel such insurance for any reason whatsoever, or any substantial change is made in the coverage which affects the interests of the Secured Party, or the same is allowed to lapse for nonpayment of premium or such insurance coverage is reduced, such cancellation, change, lapse or reduction shall not be effective as to the Secured Party for thirty days (seven (7) days or the longest period as may be commercially available in case of any war risk coverage) after receipt by the Secured Party of written notice from such insurers of such cancellation, change, lapse or reduction;

c. provide that, in respect of the interest of the Secured Party in such policies, the insurance shall not be invalidated by any action or inaction of the Owner and shall insure the interest of the Secured Party, regardless of any breach or violation of any warranties, declarations or conditions contained in such policy by the Owner;

d. waive any right of subrogation of the insurer against the Secured Party;

e. waive any right of the insurer to any setoff or counterclaim or any other deduction, whether by attachment or otherwise, in respect of any liability of the Secured Party;

f. be primary, not subject to any co-insurance clause and shall be without right of contribution from any other insurance; and

g. provide that the Secured Party shall not be deemed to be an operator of the Aircraft or to have any operational responsibility or liability therefor.

4.11.4 Insurance Proceeds. The proceeds of any insurance received by the Secured Party otherwise than in respect of an Event of Loss (as defined in Section 5 hereof) shall be held by the Secured Party as Collateral hereunder until paid to the Owner. Such proceeds shall be disbursed by the Secured Party to the Owner in payment of the costs actually incurred for repairs made to the Aircraft, provided that any such repairs must be commenced within 30 days of the occurrence of the damage and must be diligently and continuously pursued to completion upon such commencement. If such repairs are not commenced within such time period and so diligently and continuously pursued, the Secured Party shall have the option to continue to hold such proceeds as Collateral in accordance herewith. The proceeds of any insurance received in respect of an Event of Loss shall be applied as set forth in Section 5.4 hereof. Any excess remaining thereafter shall be disbursed to the Owner. Secured Party shall have the right to reasonably adjust the type and minimum amounts of insurance required pursuant to this Section 4.11 from time to time.

4.11.5 Reports. On or before the date hereof and on each anniversary of the date hereof, the Owner shall furnish to the Secured Party (i) a report by an independent insurance agent or broker describing in reasonable detail the insurance then carried and maintained on the Aircraft and certifying that such insurance complies with the terms hereof, and (ii) a certificate of the insurer as to such insurance.

4.11.6 Secured Party's Right to Obtain Insurance. In the event that the Owner shall fail to maintain insurance as herein provided, the Secured Party may, at its sole option, provide such insurance, and in such event the Owner shall, upon demand, reimburse the Secured Party for the cost thereof, without waiver of any other rights the Secured Party may have. Such action by the Secured Party shall not be deemed a cure or waiver of any Event of Default hereunder.

4.11.7 Duty of Notification of Casualty. In the event of a casualty involving the Aircraft or any Engine, loss of life or serious bodily injury, or if the Aircraft or any Engine suffers damage, the Owner shall notify the Secured Party by writing no later than the next succeeding United States banking day after the event shall have come to its knowledge and shall furnish the Secured Party with full information regarding such loss, injury or damage to the extent it is then available to the Owner.

4.12 Performance. The Owner shall perform all of its obligations under this Agreement and the Project Documents.

4.13 Secured Party's Right to Perform for the Owner. If the Owner fails to perform or comply with any of its agreements contained herein, the Secured Party may, but is not obligated to, perform or comply with such agreement on behalf of the Owner, and the amount of the reasonable costs and expenses incurred in connection with the performance of or compliance with such agreement (together with interest thereon at the Prime Rate as defined in the Project Participation Agreement), shall be payable by the Owner on demand and shall be secured by the Lien of this Agreement.

5. EVENT OF LOSS.

5.1 Definition. The term "Event of Loss" with respect to the Aircraft or any Engine shall mean any of the following events: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a substantial loss (i.e. in excess of fifty percent); (iii) the condemnation, confiscation or seizure of, or requisition of title to or use of, such property by the act of any government (foreign or domestic) or of any state or local authority or any instrumentality or agency of the foregoing ("**Requisition of Use**"), except any Requisition of Use by which the government of the United States of America, or any political subdivision thereof, acquired the use of such property for a period of less than one hundred twenty (120) days, which use does not prevent the continued insurance of such property; and (iv) as a result of any rule, regulation, order or other action by any government or governmental body having jurisdiction, the use of such property in the normal course of business shall have been prohibited, or such property shall have been declared unfit for use for a period of four (4) consecutive months. An Event of Loss with respect to any Engine shall not be deemed an Event of Loss with respect to the Aircraft provided that no event in clauses (i) through (iv) above shall have occurred with respect to the Aircraft excluding the Engine.

5.2 Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe, the Owner shall promptly give the Secured Party written notice thereof and, on or before the fifteenth (15th) day following the date of occurrence of such Event of Loss, create and perfect in favor of the Secured Party a security interest hereunder in such collateral as is acceptable to the Secured Party, which shall become Collateral subject to this Agreement.

5.3 Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to any Engine when there is no contemporaneous Event of Loss with respect to the Airframe, the Owner shall promptly give the Secured Party written notice of such Event of Loss. The Owner shall, on or before the fifteenth (15th) day following the date of occurrence of such Event of Loss, create and perfect in favor of the Secured Party a Security Interest hereunder in a Substitute Engine on the terms set forth in Section 4.5.3 hereof.

6. EVENTS OF DEFAULT. Any of the following events shall be an "**Event of Default**":

6.1 Non-payment. Secured Party does not receive any payment due under the Obligations, or any of the Project Documents on its due date, which means, in respect of moneys payable on demand, within five (5) business days from such demand; or

6.2 Insurance. The Owner (a) fails to comply with any provision of section 4.11 of this Agreement; or (b) any Insurance required to be maintained under this Agreement is cancelled, terminated or not renewed at least ten (10) days prior to its stated expiry; or

6.3 Breach. The Owner fails to comply with any other provision of this Agreement, any Project Document, or any agreements and documents related hereto and the failure continues for ten (10) business days after such failure; or

6.4 Misrepresentation. Any representation or warranty made (or deemed to be repeated) by the Owner in or pursuant to this Agreement, any Project Document, or any agreements or documents related hereto is or proves to have been incorrect in any material respect when made or deemed to be repeated; or

6.5 Approvals. Any consent, authorization, license, certificate or approval of or registration with or declaration to any governmental authority in connection with this Agreement (including but not limited to the registration of the Aircraft or the Security Interest granted in favor of Secured Party or relating to the performance by the Owner of its obligations under this Agreement or any agreements or documents related hereto) is modified in a manner unacceptable to Secured Party or is revoked, suspended, cancelled, withdrawn or not renewed, or otherwise ceases to be in full force; or

6.6 Insolvent. (a) The Owner is deemed for the purposes of any relevant law to be unable to pay its debts as they fall due, or admits inability to pay its debts as they fall due; or (b) the Owner suspends making payments on all or any class of its debts or announces an intention to do so, or a moratorium is declared in respect of any of its indebtedness; or (c) the financial situation of the Owner otherwise materially deteriorates; or

6.7 Liquidation and Similar Proceedings. (a) A meeting of the shareholder(s), directors, members or managers of the Owner is convened to consider a resolution to present an application for an administration order or any such resolution is passed; (b) any step (including petition, voluntary or involuntary, proposal or convening a meeting) is taken with a view to a composition, assignment or arrangement with any creditors of, or the rehabilitation, administration, custodianship, liquidation, or dissolution of the Owner; (c) any order is made or resolution passed for any such composition, assignment, arrangement, rehabilitation, administration, custodianship, liquidation, dissolution or insolvency proceedings, or the Owner becomes subject to or enters into any of the foregoing; or (d) any liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrator, examiner or the like is appointed in respect of the Owner or a substantial part of its assets; or

6.8 Enforcement Procedure. Any enforcement procedure against the Aircraft is commenced by a party other than the Secured Party; or

6.9 Unlawful. It becomes unlawful for the Owner to perform any of its obligations under this Agreement, any Project Document, or any agreements or documents related hereto, or any such agreement or document becomes wholly or partly invalid or unenforceable or it is unlawful for Secured Party to perform any of its rights under any such agreement or document; or

6.10 Suspension of Business. The Owner suspends or ceases or threatens to suspend or cease to carry on all or a substantial part of its business; or

6.11 Disposal. The Owner disposes or threatens to dispose of all or a material part of its assets other than in the ordinary course of business, whether by one or a series of transactions, related or not, other than for the purpose of a reconstruction or amalgamation approved by Secured Party; or

6.12 Withholding Tax. Any imposition of a withholding tax on any payments under this Agreement in any jurisdiction which has not been compensated by the Owner in accordance with this Agreement; or

6.13 Rights. The existence, validity, enforceability or priority of the rights of Secured Party as mortgagee in respect of the Aircraft are challenged by the Owner or any other person claiming by or through the Owner; or

6.14 Material Adverse Change. Any event or series of events occurs which, in the reasonable opinion of Secured Party, might have a material adverse effect on the financial condition or operations of the Owner or the ability of the Owner to comply with its obligations under the Project Documents; or

7. REMEDIES.

If an Event of Default shall have occurred and be continuing:

7.1 Uniform Commercial Code. The Secured Party shall have all rights and remedies available at law or in equity, including without limitation all rights and remedies available to secured parties under the Uniform Commercial Code and may, without notice of any kind to the Owner, to the extent permitted by law, carry out or enforce the actions provided in this Agreement or otherwise available to it.

7.2 Possession. The Secured Party may, without notice, if the Owner is in possession, custody or control of the Collateral enter the Owner's or any other person's premises and take possession of such Collateral and may exclude the Owner, and all persons claiming under the Owner, wholly or partly therefrom. The Secured Party may require the Owner to assemble and make available the Collateral at a location selected by Secured Party. At the request of the Secured Party, the Owner shall promptly deliver or cause to be delivered to the Secured Party or to whomsoever the Secured Party shall designate, at such time or times and place or places as the Secured Party may specify, and fly or cause to be flown to such airport or airports in the United States as the Secured Party may specify, without risk or expense to the Secured Party, all or any part of the Aircraft. In addition, the Owner will provide, without cost or expense to the Secured Party, storage facilities for the Aircraft for a period not to exceed ninety (90) days. If the Owner shall for any reason fail to deliver the Aircraft or any part thereof after demand by the Secured Party, the Secured Party may, without being responsible for loss or damage, (i) obtain a judgment conferring on the Secured Party the right to immediate possession or requiring the Owner to deliver immediate possession of all or part of the Aircraft to the Secured Party, to the entry of which judgment the Owner hereby specifically consents, or (ii) with or, to the fullest extent provided by law, without such judgment, pursue all or part of the Aircraft wherever it may be found and may enter any of the premises of the Owner where the Aircraft may be and search for the Aircraft and take possession of and remove the same. The Owner agrees to pay to the Secured Party, upon demand, all reasonable expenses (including fees and costs) incurred in taking any such action; and all such reasonable expenses shall, until paid, be secured by this Agreement. Upon every such taking of possession, the Secured Party

may, from time to time, make all such reasonable expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Aircraft, as it may deem proper.

7.3 Receiver. The Secured Party shall be entitled, as a matter of right as against the Owner, without notice or demand and without regard to the adequacy of the security for the obligations of the Owner contained in the Project Documents by virtue of this Agreement or any other collateral or to the solvency of Owner, upon the commencement of judicial proceedings by it to enforce any right under this Agreement, to the appointment of a receiver of all or any part of the Collateral.

7.4 Sales, Lease or Disposition.

7.4.1 The Secured Party, with or without taking possession of the Aircraft, may, in accordance with the applicable provisions of the Uniform Commercial Code and/or this Agreement, (i) sell, lease or otherwise dispose or cause the Owner to sell, lease or otherwise dispose of the Collateral; as an entirety or in separate lots or parcels, sell all or any part of the Collateral, at public or private sale, at such place or places and at such time or times and upon such terms, including terms of credit (which may include the retention of title by the Secured Party to the property so sold), as the Secured Party may determine, whether or not the Aircraft shall be at the place of sale; and (ii) proceed to protect and enforce its rights and the rights of the Secured Party under this Agreement by suit, whether for specific performance of any covenant herein contained or in aid of the exercise of any power herein granted or for the foreclosure of this Agreement and the sale of the Aircraft under the judgment or decree of a court of competent jurisdiction or for the enforcement of any other right.

7.4.2 The Secured Party may collect or receive any income, rents or profits arising from the management or use of the Collateral;

7.4.3 At any sale of the Aircraft or any part thereof by the Secured Party pursuant to Section 7.4.1(i) above, the Secured Party may consider and accept bids requiring the extension of credit to the bidder and may determine in its sole discretion the highest bidder at such sale, whether or not the bid of such bidder shall be solely for cash or shall require the extension of credit.

7.4.4 Subject to the requirements of any law or order of court applicable thereto, notice of any sale under Section 7.4.1(i) above shall be mailed to the Owner postage prepaid thereon no less than ten (10) calendar days prior to the sale (which notice is agreed is commercially reasonable) and shall contain a brief description of the property to be sold, shall state, in the case of a public sale, the time when and the place where the same is to be made and shall briefly describe any terms or conditions of sale, or shall state, if the sale is not to be public, the time on or after which the sale is to be made.

7.4.5 The Secured Party, to the extent permitted by law, may from time to time adjourn any sale under Section 7.4.1(i) above by announcement at the time and place appointed for such sale or for any adjournment thereof; and without further notice or publication, except as may be required by law, such sale may be made at the time and place to which the same shall have been so adjourned.

7.4.6 Upon the completion of any sale under Section 7.4.1(i) above, full title and right of possession to the Aircraft so sold shall (subject to any retention of title by the Secured Party as part of the terms of such sale) pass to the accepted purchaser forthwith upon the completion of such sale, and the Owner shall deliver, in accordance with the instructions of the Secured Party (including flying the Aircraft or causing the same to be flown to such airports in the United States as the Secured Party may specify), the Aircraft so sold. If the Owner shall for any reason fail to deliver the Aircraft, the Secured Party shall have all of the rights granted by Section 7.2 hereof. The Secured Party is hereby

irrevocably appointed the true and lawful attorney in fact of the Owner, in its name and stead, to make all necessary conveyances of the Aircraft so sold. Nevertheless, if so requested by the Secured Party or by any purchaser, the Owner shall confirm any such sale or conveyance by executing and delivering all proper instruments of conveyance or releases as may be designated in any such request.

7.5 Further Assurances. The Owner will execute and deliver, or cause to be executed and delivered, such instruments, documents, assignments, waivers, certificates and affidavits and supply or cause to be supplied such further information and take such further action as the Secured Party may reasonably require in connection with any sale of the Collateral.

7.6 Proceeds. Out of the proceeds of any disposition, the Secured Party shall:

7.6.1 First, in such order as the Secured Party shall determine, pay amounts owing to the Secured Party pursuant to the Project Participation Agreement and all costs, expenses and charges for pursuing, searching for, taking, removing, keeping, sorting, advertising and selling such Collateral, including without limitation reasonable attorneys' fees and costs and any taxes upon or with respect to such sale, leases disposition or realization and the payment of any taxes and Liens, if any, prior to the Lien of this Agreement;

7.6.2 Then, pay any other amounts then due and owing to Secured Party under the Project Documents;

7.6.3 Then, pay the remaining funds, if any, to the Owner or to whomsoever shall be entitled thereto.

8. REMEDIES NOT EXCLUSIVE; NO MARSHALLING; CERTAIN WAIVERS.

8.1 No Exclusive Remedies. Rights and remedies provided for herein are not exclusive. Each and every right and remedy allowed or provided for herein, under applicable law shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity, and may be exercised from time to time as often as deemed expedient, separately or concurrently. The failure or delay of the Secured Party to insist in any one or more instances upon the performance of any of the terms, covenants or conditions of this Agreement or to exercise any right, remedy or privilege herein conferred, shall not impair or be construed as thereafter waiving any such covenants, remedies, conditions or provisions, but every such term, condition and covenant shall continue and remain in full force and effect; nor shall the giving, taking or enforcement of or execution against any other or additional security, collateral or guaranty for the payment of any Obligation operate to prejudice, waive or affect any rights, powers or remedies hereunder; nor shall the Secured Party be required to first look to, enforce, exhaust or execute against such other or additional security or guaranties prior to so acting against the Collateral. No waiver, change, modification or discharge of any of the Secured Party's rights or the Owner's duties will be effective unless contained in a written instrument signed by the Secured Party.

8.2 Order of Foreclosure. The Secured Party may foreclose on or execute against the items of Collateral in such order as the Secured Party may, in its sole discretion, determine and shall not be required to marshal the Collateral.

8.3 Waiver. The Owner hereby agrees to waive, and does hereby absolutely and irrevocably waive and relinquish the benefit and advantage of, and does hereby covenant not to assert against the Secured Party, any valuation, stay, appraisal, extension or redemption laws now existing or which may hereafter exist which, but for this provision, might be applicable to any sale made under the

judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement or otherwise based on this Agreement or in respect of any Collateral.

8.4 No Duties. Except as provided by applicable law which cannot be waived, the Secured Party shall have no duty as to the custody or preservation of the Collateral, the collection of any part thereof or of any income thereon, or the preservation or exercise of any rights pertaining thereto, beyond the use of reasonable care in the custody and physical preservation of any Collateral in its possession.

8.5 Power of Attorney.

8.5.1 The Owner hereby irrevocably constitutes and appoints Secured Party and any employee, officer or agent thereof, with full power of substitution, as its true and lawful attorney in fact with full power and authority in the place and stead of the Owner and in the name of the Owner or in its own name, from time to time in Secured Party's sole discretion, for the purpose of carrying out the terms of this Agreement and the Project Documents, and the Owner hereby further irrevocably authorizes Secured Party and any employee, officer or agent thereof to take any and all appropriate action and to make, execute, deliver, file and/or record any and all instruments or documents (including, without limitation, any FAA filings, UCC financing statements or UCC amendments, International Registry registrations or services agreements) that may be necessary or desirable to accomplish the purposes of this Agreement or any of the other Project Documents. Without limiting the generality of the foregoing, the Owner hereby further (i) irrevocably ratifies the foregoing appointment and authorization and all that Secured Party or any employee, officer or agent thereof shall lawfully do or cause to be done by virtue of the foregoing, including, without limitation, with regard to the execution, delivery, filing and/or recording of any instruments or documents (including, without limitation, any FAA filings, UCC financing statements or UCC amendments, International Registry registrations or services agreements) and/or the taking of any action as Secured Party deems necessary or appropriate to carry out the intent of this Agreement and/or any other Project Documents, (ii) agrees that Secured Party shall have authority, during the continuance of an Event of Default, to endorse the Owner's name on any checks, notes, drafts or any other payments or instrument relating to the Collateral that come into Secured Party's possession or control and to settle, adjust, receive payment and make claim or proof of loss, (iii) agrees that the Owner shall not file or record any corrective or termination statements with respect to any UCC financing statements, amendments or assignments, or services agreements filed or recorded by or for the benefit of Secured Party with respect to any of the Collateral without Secured Party's prior written consent, and (iv) agrees that any signature, execution and delivery of any document or instrument may be satisfied, in Secured Party's sole discretion and to the extent permitted by the UCC, by authentication of such document or instrument as a record within the meaning of Article 9 of the UCC. The Secured Party shall not have any obligation whatsoever to exercise any of the powers hereby conferred upon it or to make any demand or enquiry as to the nature of sufficiency of any payment received by it, or to present or file any claim or notice or take any other action whatsoever with respect to the Collateral. No action taken by the Secured Party in good faith in the exercise of the power of attorney shall give rise to any defense, counterclaim or set-off in favor of the Owner or otherwise affect any of the Secured Obligations.

8.5.2 This power of attorney is coupled with an interest, is irrevocable and shall terminate in ten (10) years or upon payment and performance in full of all of the Obligations. The powers conferred on the Secured Party hereunder are solely to protect the Secured Party's interests in the Collateral and shall not impose any duty upon it to exercise such powers. The Secured Party shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officials, councilors, officers, directors, employees or agents shall be responsible to the Owner for any action taken or omitted to be taken in good faith or in reliance on the advice of counsel. No exercise by the Secured Party of its rights or powers shall have the effect of imposing

liabilities or obligations upon the Secured Party which are greater than those imposed on the Secured Party elsewhere in this Agreement and the Project Documents.

9. SEVERABILITY. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

10. NOTICES. Unless the party to be notified otherwise notifies the other party in writing as provided in this Section, and except as otherwise provided in this Agreement, notices shall be delivered in person or sent by overnight courier, facsimile or ordinary mail addressed as follows:

Secured Party: City of Albuquerque Office of Economic Development P.O. Box 1293 Albuquerque, New Mexico 87103 Fax:	Owner's Representative: Eclipse Aerospace, Inc. Attention Ed Lundeen, SVP 2503 Clark Carr Loop SE Albuquerque, NM 87106 Fax: 505-724-1742 Ed.lundeen@eclipse.aero

Notices shall be effective: (a) on the day on which delivered to such party in person, (b) on the first business day after the day on which sent to such party by overnight courier, (c) if given by mail, seventy-two (72) hours after deposit in the mails with first-class postage prepaid, addressed as aforesaid; and (d) if given by facsimile, when the facsimile is transmitted to the facsimile number as aforesaid; provided that notices to the Secured Party shall be effective upon receipt.

11. AMENDMENTS; ETC. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Owner herefrom, shall in any event be effective unless the same shall be in writing and signed by the Secured Party and (in the case of an amendment) the Owner, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

12. RISK OF LOSS AND INDEMNIFICATION. The Owner shall bear all risk of loss in connection with the Collateral, and no loss, damage or destruction of the Collateral shall release the Owner from its obligations hereunder. The Owner does hereby assume liability for, and hereby indemnifies the Secured Party and its respective successors, assigns, representatives and agents, against all liabilities, obligations, losses, penalties, damages (including damage to the Collateral or legal damages of whatever nature), claims, suits and expenses, including legal expenses and attorney's fees, imposed on, incurred by, or asserted against the Secured Party or any of its successors, assigns, representatives or agents relating to or arising out of the preparation, negotiation or enforcement of this Agreement or the ownership, lease, possession, use, sale, maintenance or other disposition of any Collateral; provided, however, that the Owner shall not be required to indemnify for the willful misconduct or gross negligence of the Secured Party, any of its successors, assigns, representatives or agents. The indemnities contained in this Section 12 shall continue in full force and effect notwithstanding the termination of this Agreement or repayment in full of the Obligations.

13. CONTINUING LIEN AND SECURITY INTEREST. This Agreement shall create a continuing lien and security interest in the Collateral and shall (i) remain in full force and effect until termination of the Project Participation Agreement and the payment in full of any amounts then due and owing under the Project Documents, (ii) be binding upon the Owner and its respective heirs, administrators, executors, successors and assigns, and (iii) inure, together with the rights and remedies of the Secured Party hereunder, to the benefit of the Secured Party, its respective successors, transferees and assigns. Upon termination of the Project Participation Agreement, provided there are at such time no other obligations then due and owing under the Project Documents, the lien and Security Interest granted hereby shall terminate and all rights to the Collateral shall revert to the Owner. Upon any such termination, the Secured Party will, at the Owner's expense, execute and deliver to the Owner such documents as the Owner shall reasonably request to evidence such termination.

14. CHOICE OF LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico without regard to its conflicts of laws principles. This Agreement shall be deemed delivered in the State of New Mexico for purposes of Title 49 USC §44108.

15. CONSENT TO JURISDICTION AND WAIVER OF IMMUNITIES.

15.1 The Owner hereby irrevocably submits to the jurisdiction of any New Mexico state or federal court sitting in Albuquerque (Bernalillo County), New Mexico and any appellate court from any thereof in any action or proceeding arising out of or relating to this Agreement and the Project Participation Agreement, and the Owner hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New Mexico state court or in such federal court. The Owner hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Owner irrevocably consents to the service of any and all process in any such action or proceeding by the mailing of copies of such process to the Owner at its address specified in Section 10. The Owner agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

15.2 Nothing in this Section 15 shall affect the right of the Secured Party to serve legal process in any other manner permitted by law or affect the right of the Secured Party to bring any action or proceeding against the Owner or its property in the courts of any other jurisdictions.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties of the Owner contained herein or made in writing by the Owner in connection herewith shall survive the execution and delivery of this Agreement.

17. DESCRIPTIVE HEADINGS. The descriptive headings of the several paragraphs and sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

18. COUNTERPARTS; FACSIMILE SIGNATURES. This Agreement may be executed in one or more counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart. Each party hereto may rely upon a facsimile signature of each other party hereto as if it were an original.

[SIGNATURES ON FOLLOWING PAGE]

THIS AIRCRAFT SECURITY AGREEMENT is executed and effective as of the date first written above.

OWNER:

ECLIPSE AEROSPACE, INC., a Delaware corporation

By _____
Edward M. Lundeen
Senior Vice President

SECURED PARTY:

CITY OF ALBUQUERQUE, NEW MEXICO

By _____
Robert J. Perry
Chief Administrative Officer

EXHIBIT A

To Aircraft Security Agreement

DESCRIPTION OF AIRCRAFT

1. Airframe identified as follows:

<u>Manufacturer and Model of Aircraft</u>	<u>Registration Number</u>	<u>Manufacturer's Serial Number</u>
Eclipse Aviation Corporation, Eclipse 500	N503EA	EX500-108

2. Engine identified as follows:

<u>Manufacturer and Model of Engine</u>	<u>Serial Number</u>
Pratt Whitney Canada, XPW610F-A	6390
Pratt Whitney Canada, XPW610F-A	6396

3. The above-described Engines are each less than 1,750 pounds of thrust.

4. "Aircraft" shall include the Airframe, Engine, Parts and all the equipment, avionics, electronics, records and parts thereof.