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ALBUQUERQUE, NEW MEXICO

STATE OF NEW MEXICO
PUEBLO de COCHITI
This instrument was filed for record on

AUG 20 1970

At 11:54 A.M. P.M.
Recorded in Vol. 1 misc.
of records of said Pueblo, folio 1-50
Clk. & Recorder
By: Pauby Chalan, Deputy

misc 25
531 π 580

33350

# L E A S E

THIS LEASE, made and entered into this 15 day of April 1969, by and between the PUEBLO DE COCHITI, an Indian Tribe recognized by the United States Department of the Interior and having accepted the provisions of the Indian Reorganization Act of June 18, 1934 (48 Stat. 984 et. seq.), hereinafter called the Lessor, whose address is Cochiti, New Mexico, and CALIFORNIA CITY DEVELOPMENT COMPANY, a California corporation, hereinafter called the Lessee whose principal office is in the City of Los Angeles, California, under the provisions of the Act of August 9, 1955 (69 Stat. 539), as amended by the Act of October 12, 1968 (82 Stat. 1003; 25 USC 415-415d).

1. DEFINITIONS.

A. "Secretary" means the Secretary of the Interior or his authorized representative, delegate or successor.

B. The term "gross receipts" as used in this lease, without in any manner restricting or intending to restrict the meaning thereof:

(1) Shall be construed to include the aggregate of all charges made by any tenant to customers for all sales of merchandise and/or services in, from, or through the demised premises. Sales shall be deemed to include, but without duplication, all orders accepted by any business conducted on the demised premises, and all telephone orders and mail orders, including those which have resulted from any advertisement intended to promote sales at any place of business on the demised premises. The word "tenant" shall include all persons carrying on any business from the demised premises, including, but not limited to, the Lessee and all subtenants and concessionaires.

(2) Shall be construed to exclude:

(a) The aggregate amount of any and all cash refunds, discounts and allowances to customers, and sales of merchandise in the demised premises later returned by customers and accepted for credit.

(b) The amounts of all taxes imposed by any Federal, State or other taxing authorities on merchandise and/or services sold or furnished in the demised premises, which taxes are added to the sales price collected from the

CPI
57-59 = 100
Apr. 1969 = 126.4
May 1969 = 126.8
Nov. 1983 = 352.5

PH 214-767-6970
May 1, 1954 = ± 354

354 - 126.6 = ± 228

126.6

22784

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(2) Shall be construed to exclude:

(a) The aggregate amount of any and all cash refunds, discounts and allowances to customers, and sales of merchandise in the demised premises later returned by customers and accepted for credit.

(b) The amounts of all taxes imposed by any Federal, State or other taxing authorities on merchandise and/or services sold or furnished in the demised premises, which taxes are added to the sales price collected from the

customer and which are payable by the collecting party to such governmental authorities.

(c) Transfers of merchandise at cost by any tenant to any other store owned by him.

(3) It is expressly understood and agreed that any reference in this lease to all business done on the premises includes business which may be conducted on the demised premises by a tenant and any other corporation, firm or person authorized by the tenant, includes orders received at the demised premises, includes cash receipts and includes charges for sales and services as of the date the services are rendered or the merchandise is billed or charged to the customer as if such sales or services had been immediately paid for in cash, regardless of when or whether such sales are actually paid or liquidated. Notwithstanding the foregoing, no item shall be duplicated as a gross receipt.

C. For the purpose of computing rent due to the Lessor, "Lessee" means, unless otherwise provided herein, the Lessee, sublessees, assignees, transferees, concessionaires, permittees, or any successor in interest of any of them, provided, however, that no duplication is intended.

2. PURPOSE.

A. The premises leased and to be leased hereunder shall be developed, used and operated pursuant to a general plan of development attached hereto as Exhibit "A", and shall be subject to existing rights of way and easements.

B. Lessee shall not use or cause to be used any part of the leased premises for any illegal purpose.

C. It is the intent of the Lessor to promote and encourage the use of Cochiti Dam and Reservoir and bodies and streams of water within the leased premises for fishing, boating and other recreational purposes; and that the public should have reasonable access to such bodies or streams of water, subject to necessary and appropriate controls adopted by the Lessor, the Corps of Engineers and other appropriate governmental agencies. The use of the waters in the Cochiti Reservoir and the issuing of fishing, boating or other permits for such use is subject to the rules and regulations of the Corps of Engineers, but the Lessee, with the consent of the Lessor, may apply to the Corps of Engineers to close or restrict areas along the shoreline of the said waters adjacent to or within the

leased premises necessary for or appropriate to the successful operation and development of the leased area, provided that the Lessor does not warrant or otherwise guarantee that the Corps of Engineers shall approve any such application.

3. LAND DESCRIPTION AND OPTIONS.

For and in consideration of the rents, covenants, terms, conditions and agreements contained in this lease, the Lessor does hereby lease unto the Lessee that certain tract of land located within the Pueblo de Cochiti Grant and Indian Reservation, Sandoval County, New Mexico, designated as TRACT ONE on the plat attached hereto as Exhibit "B".

It is understood and agreed that the Lessee shall have, subject to all the covenants, terms, conditions and agreements contained in this lease, the exclusive right to exercise successive options to lease from the Lessor those further tracts of land located within the Pueblo de Cochiti Grant and Indian Reservation, Sandoval County, New Mexico, designated as TRACTS TWO through SIX inclusive on the said Exhibit "B".

TRACTS ONE through SIX inclusive are located within the following described lands:

Secs. 28, 29 and 30, T. 17 N., R. 6 E., N.M.P.M.;
Secs. 25 and 26, T. 17 N., R. 5 E., N.M.P.M.;
Secs. 35 and 36, T. 17 N., R. 5 E., N.M.P.M.;
Secs. 31, 32, 33 and 34, T. 17 N., R. 6 E., N.M.P.M.;
Secs. 1 and 2, T. 16 N., R. 5 E., N.M.P.M.;
Secs. 3, 4, 5 and 6, T. 16 N., R. 6 E., N.M.P.M.;
N½ Sec. 11 and N½N½ Sec. 12, T. 16 N., R. 5 E., N.M.P.M.;
N½ Sec. 7, T. 16 N., R. 6 E., N.M.P.M.;
Secs. 20, 21, 28, 29, 32, 33, T. 16 N., R. 6 E., N.M.P.M.;
and more particularly described in said Exhibit "B".

It is understood and agreed that the Lessee shall have the right to enter upon all of the foregoing sections of land to survey and plat the exact legal description designated for each numbered tract. The legal description of each numbered tract, and survey platted, shall substantially conform to the plat as shown on Exhibit "B". The filing of a surveyed plat for each tract substantially conforming to Exhibit "B" shall cause this lease to be amended to describe such tract as set forth in the surveyed plat.

It is further understood and agreed that the Lessee may exercise only one such option at a time, in ascending numerical order of numbered tracts, the

purpose of such successive options being to enlarge the premises subject to this lease by increments of approximately 1,000 acres each.

The option to lease TRACT TWO must be exercised not later than eighteen months from and after the effective date of this lease. Thereafter, each successive option must be exercised not later than eighteen months from and after the exercise of the next preceeding option.

The total acreage included within TRACTS ONE through SIX inclusive shall not exceed 7,500 acres, more or less.

It is understood and agreed that, in no event, shall the Lessee lease or be allowed to exercise any option to lease the following described lands, hereby denominated as the COCHITI PUEBLO SACRED LANDS, to-wit:

S½, Section 11, and S½ and S½S½, Section 12,
T. 16 N., R. 5 E., N.M.P.M.; and
S½, Section 7, T. 16 N., R. 6 E., N.M.P.M.

The option to lease each of said tracts of land shall be exercised by giving written notice thereof to the Lessor and the Secretary, and by filing with the Lessor and the Secretary a subdivision plat of the tract subject to the option, which plat shall be in conformance with the requirements of Paragraph 8 of this lease, provided, however, that in order for any option to be effective, the Lessee shall be current in all rental payments then due and shall not otherwise be in any material and adverse violation of any covenant, term, condition or agreement of this lease.

4. TERM.

The term of this lease shall commence on the first day of the month next succeeding the date notice of the approval of this lease by the Secretary is mailed to the Lessee and shall be for ninety-nine years from and after such commencement date. The termination date for the land covered by all options contained herein shall be the same as for the land leased, to-wit: ninety-nine years from and after the commencement date of this lease.

5. RENTALS.

In consideration of the lease and option rights and the other covenants and agreements herein contained, the Lessee agrees to pay to the Lessor without notice or demand, the following rentals:

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A. Rentals for Residential Lots

The Lessee will use its best efforts to sublease to the general public residential lots created by the subdivision of the leased premises. The consideration paid by purchasers of such subleases will be on the basis of a "basic sales price" per lot, an annual rental and a charge for the construction and maintenance of streets, utilities and off-site improvements which will be placed in the escrow or trust fund described in Paragraph 14. The Lessee hereby agrees to pay to the Lessor the following amounts for residential lots:

(1) Percentages of "Basic Sales Price"

Five percent (5%) of the "basic sales price" of each sublease and interest thereon payable out of principal and interest as received by the Lessee from sublessees of residential lots.

(2) Percentages of annual rentals

In addition, the Lessee shall pay to the Lessor, twenty percent (20%) of the annual rental paid to Lessee by each sublessee of a residential lot where such annual rental for a lot does not exceed one hundred forty-four dollars ($144.00). In those cases where such annual rental exceeds $144.00, but does not exceed two hundred eighty-eight dollars ($288.00), the Lessee shall pay to the Lessor twenty percent (20%) of the first $144.00 and thirty-five percent (35%) of the amount over $144.00. In those cases where such annual rental exceeds $288.00, the Lessee shall pay to the Lessor twenty percent (20%) of the first $144.00, plus thirty-five percent (35%) of the next $144.00, plus fifty percent (50%) of the annual rent in excess of $288.00; provided, however, that the Lessee shall pay to the Lessor not less than the following minimum annual rentals for each single family residential lot of one-half acre in size or less:

(a) Twelve dollars ($12.00) per annum for each single family residential lot shown on approved subdivision plats until such lot is subleased;

(b) Twenty-four dollars ($24.00) per annum for each single family residential lot from the date it is subleased until a home is constructed on such lot or until the fifth anniversary of the sublease, whichever occurs first;

(c) Sixty dollars ($60.00) per annum for each single family

residential lot from the date a home is constructed on such lot or beginning on the fifth anniversary of the sublease of such lot, whichever occurs first. For the purpose of this paragraph, the expression "a home is constructed on such lot" shall be deemed to include the positioning of a mobile home on such lot in a manner manifesting the sublessee's intention to maintain such mobile home on such lot as permanently as though it were constructed on such lot. It is also understood that for the purposes of this Paragraph 5, a lot shall be deemed subleased from the time when the sublessee makes his initial payment on the "basic sales price," or first rental payment, or both, and the "sale" is so recorded on Lessee's records in accordance with its customary accounting procedures.

In the event a single family residential lot is over one-half acre in size, the Lessee shall pay to the Lessor the following minimum annual rentals in addition to any payments made pursuant to Paragraph 5. A. (1).

The same rentals, payable on the same basis, as rentals for single family residential lots of one-half acre or less, plus an additional twenty-five percent (25%) of said amounts for each one-quarter (1/4) acre in excess of one-half acre. In computing these rentals, the area of residential lots shall be computed to the nearest one-quarter (1/4) acre.

The Lessee shall pay to the Lessor for each multi-family residential lot not less than the same minimum rentals Lessee would pay if the lot were a single family residence lot, and on the same basis until improvements are constructed on such multi-family residential lot. Upon completion of the construction of improvements on a multi-family residential lot, Lessee shall pay to Lessor not less than a minimum rental of sixty dollars ($60.00) per annum for the first unit in the multi-family complex, plus twenty-four dollars ($24.00) per annum for each additional unit. For the purposes of this Paragraph 5. A. (5), apartment houses shall be included in the definition of multi-family complexes.

(3) Effect of termination of subleases on unimproved residential lots

If prior to the completion of improvements by a sublessee on subleased residential lot, whether single or multi-family, the sublease is terminated, the minimum rentals payable by Lessee to Lessor for such a lot shall revert to

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the amount payable prior to the time it was subleased, provided that at such time as such lot is again subleased, increased minimum rentals shall be paid by Lessee to Lessor for any such lots according to the foregoing provisions.

B. Rentals for Commercial Lots

(1) Percentages of Annual Rentals

The Lessee shall pay to the Lessor the following percentages of gross receipts from the following types of businesses conducted on the leased premises, whether operated by Lessee, sublessees, permittees, concessionaires or any other entity, and regardless of what percentage rentals Lessee actually receives:

| Type of Business | % of Gross Income Paid to Lessor as Rent |
|---|---|
| Motel or Hotel | 5 % |
| Lounge (in connection with motel) | 3 % |
| Restaurants and Cafeterias | 2.5 % |
| Drive-In Restaurant | 2.5 % |
| Tavern or Cocktail Bar | 2.5 % |
| Package Store (Liquor) | 2 % |
| Supermarket Grocery | .5 % |
| Grocery Store (General) | 1 % |
| Bait and Tackle Shop | 3 % |
| Trailer Park | 5 % |
| Service Station: | |
| Retail Gasoline | 1.5 cents gal. |
| Wholesale Gasoline | 1.0 cents gal. |
| (Sales limited to gasoline, oil, tires, batteries, lube and wash services and small auto accessories.) | |
| Marina: | |
| Retail Gasoline | 1.5 cents gal. |
| Sales of all other items, including services rendered and rentals charged | 6 % |
| Riding Stable | 10 % |
| Helicopter Rides | 15 % |
| Trap Range | 10 % |
| Water Sports | 5 % |
| Sporting Goods Store | 2 % |
| Marine and Boat Shop | 2 % |
| Bicycle and Motor Scooter Shop | 2 % |
| Bakery - Wholesale or Retail | 2 % |
| Bowling Alley | 3.5 % |
| Beauty and Barber Shops | 3.0 % |
| Gift and Curio Shop | 2 % |
| Automobile Dealership | .5 % |
| Auto Parts and Accessories | 1 % |
| Auto Repair Garage | 2 % |
| Retail Lumber Yards and Building Materials | 2 % |
| Banks, Savings & Loan Assoc., Finance Companies | 1/25 of 1 % of deposits |
| Drug Stores | 1.5 % |
| Department Stores | 1 % |
| Variety Stores | 2 % |
| Furniture Stores | 2 % |
| Plumbing, Electrical, Heating & Air Conditioning Shops | 2 % |
| Hardware Store | 2 % |

| Type of Business (Cont.) | % of Gross Income Paid to Lessor as Rent (Cont.) |
|---|---|
| Florist | 3 % |
| Paint and Wallpaper | 2 % |
| Jewelry and Watch Repair | 2.5 % |
| Men's and Women's Clothing | 2.5 % |
| Dairy Products | 2 % |
| Nurseries and Garden Supply | 2 % |
| Book and Stationery Store | 2 % |
| Key Shop | 6 % |
| Shoe Stores | 2 % |
| Shoe Repair | 3 % |
| Radio, TV, Hi-Fi, Sales and Service | 2.5 % |
| Music and Record Shop | 2.5 % |
| Uniform Supplies | 2.5 % |
| Welding Shop | 2 % |
| Household Appliances and Repairs | 1.5 % |
| Theaters, Box Office & Concessions | 3 % |
| Business Machines and Office Equipment | 2 % |
| Antique Dealers | 2 % |
| Millinery, Hosiery, Lingerie | 3 % |
| Photographer | 2.5 % |
| Candy and Nut Shop | 3 % |
| Retail Carpet Stores | 2 % |
| Upholstering Shop | 2 % |
| Pet Shop | 2.5 % |
| Hobby and Toy Shops | 2 % |
| Cosmetics and Perfumes | 2.5 % |
| Amusement Parks or Kiddieland | 3 % |
| Miniature Golf Course | 3 % |
| Sewing Machine Shop | 1.5 % |
| Stamp Redemption Center | 2.5 % |
| Auto Supply Store | 1 % |
| Music Studio and Dance | 2 % |
| Used Car Sales | 2 % |
| Fabric Shop | 2 % |
| Telephone Company Exchange | 2 % |

If any kind of business other than those listed in this subparagraph are proposed to be operated on the leased premises, the Lessee and the Lessor shall negotiate, subject to approval by the Secretary, the percentage of gross receipts to be paid by Lessee to Lessor for such business. In the event the parties are unable to reach an agreement, the matter shall be submitted to arbitration under Paragraph 22 of this lease.

The Lessee agrees that it will require all sublessees and other users of commercial lots to pay rentals based on percentages of gross receipts or similar basis unless the payment of rentals based on gross receipts for the kind of business involved is not the general practice in commercial circles. In the event of a dispute between the Lessor and the Lessee as to whether a percentage of gross receipts basis, or other basis, should be applied, or if a basis other

than a percentage of gross receipts is used, what such other basis should be, the matter shall be submitted to arbitration under paragraph 22 of this lease.

(2) Minimum Annual Rentals for Commercial Lots

It is understood and agreed that the Lessee shall pay to the Lessor not less than the following minimum annual rentals for commercial lots:

(a) Twenty-four dollars ($24.00) per acre per annum from the date a subdivision plat showing the commercial lot is approved until the date the commercial lot is subleased.

(b) Five hundred dollars ($500.00) per acre per annum from the date the commercial lot is subleased until the date improvements are constructed thereon.

(c) Eight hundred dollars ($800.00) per acre per annum from the date improvements are constructed on a commercial lot and all times thereafter.

For the purpose of computing minimum annual rentals for commercial lots, the acreage on which such rentals are based shall include the total acreage subleased plus a proportionate share of common areas and parking areas, if any, computed to the nearest one-quarter (1/4) acre.

(3) Effect of Termination of Commercial Sublease on Unimproved Lot

In the event a sublease on a commercial lot is terminated prior to the time improvements are completed on such lot, the minimum annual rentals payable by Lessee to Lessor for such premises shall revert to $24.00 per acre per annum until the date such lot is again subleased, at which time the minimum annual rental shall increase as set forth in Paragraph 5. B. (2).

C. Rental for Industrial Lots

The Lessee shall pay to the Lessor the following annual rentals for industrial lots:

(1) Twenty-four dollars ($24.00) per acre from the date a subdivision plat showing an industrial lot is approved until the date the industrial lot is subleased.

(2) From the date an industrial lot is subleased, Lessee shall pay to Lessor a rental of eight percent (8%) of the appraised fair market value of the total acreage subleased; provided, however, that the Lessee and the Lessor, with the approval of the Secretary, may agree on a lower rental.

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In the event that the Lessor and the Lessee are unable to agree on the appraised fair market value of the total acreage subleased in an industrial sublease, the matter shall be submitted to arbitration pursuant to Paragraph 22 of this Lease.

If a sublease on an industrial lot is terminated prior to the time improvements are constructed on such lot, the annual rentals payable by Lessee to Lessor for such premises shall revert to $24.00 per acre per annum until the date such lot is again subleased, at which time the rent shall be as set forth in Paragraph 5. C. (2).

D. Additional Rental

It is understood and agreed between the parties that the rentals set forth above are for acreage not including streets, utility easements and other areas where off-site improvements will be constructed and maintained with monies placed in the escrow fund or trust fund to be established pursuant to Paragraph 14. As rental for such acreage not otherwise producing rental, the Lessee agrees to pay to the Lessor five percent (5%) of all funds intended for or placed in said escrow fund or trust fund, payment of said sum due the Lessor to be made at the same time as deposits are made to said trust fund or escrow fund, or at the same time as the Lessee receives credits for funds that the Lessee may have advanced to the said fund.

E. Guaranteed Minimum Annual Rental for Total Leased Premises

Irrespective of the provisions of Paragraph 5. A. through D., the Lessee shall pay to the Lessor a guaranteed minimum annual rental for the total leased premises of not less than $50,000.00 per annum.

The guaranteed minimum annual rental of $50,000.00 for the first year of this lease has been paid to Lessor by Lessee upon the execution of this lease by the parties and receipt thereof is hereby acknowledged.

The guaranteed minimum annual rentals for the second and each subsequent year of the term of this lease shall be paid in installments of $4,166.67 each, beginning on the first day of the thirteenth month of the term and on the first day of each month thereafter. The payments of rental under Paragraph 5. A. through E. shall be credited against the guaranteed minimum annual rental due in

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the year in which such payments are made; provided, however, that the amount of rent actually paid under this lease for the first three years of the term shall be credited cumulatively against the total guaranteed minimum annual rentals due under this Paragraph 5. F. for such three-year period only.

F. Time for Making Rental Payments

All rentals payable under the terms of this lease, other than the guaranteed minimum annual rentals required by Paragraph 5. E., shall be paid quarterly in arrears within thirty (30) days following the end of each quarter. Rental unpaid when due shall bear interest at the rate of eight percent (8%) per annum from the date it becomes due until paid, but this provision shall not be construed to relieve the Lessee from any default in making any rental payment at the time and in the manner specified.

G. Limitations on Rental Payments

(1) No rental payment other than those specified shall be due hereunder.

(2) The Lessor agrees that it will not, during the term of this lease, impose any tax or assessment upon or relating to the demised premises or persons residing or conducting business thereon, for the purpose of increasing the rental, it being understood that the collection of funds from sublessees and other sources shall be used among other things to provide necessary public services and improvements. If the Lessee shall fail to provide streets, utilities or other necessary public services or improvements, the Lessor may impose such taxes and assessments as may be reasonable and necessary to finance such public services and public improvements. In the event of a dispute hereunder, the matter shall be arbitrated as set forth in Paragraph 22.

H. Rental Adjustments

The Lessor and the Lessee agree that all minimum and fixed rentals payable herein, including the total guaranteed annual rental and the minimum annual rentals paid for the various types of land, shall be adjusted upward or downward in the same proportion as the increase or the decrease in the consumer price index set forth below, fifteen years after the commencement of the term of this lease and every five years thereafter during the entire lease term.

See page 23 of HUD request. Base to be 1957-1959=100 Adjusted to May 1 1964 May 1 1969

The periodic rental adjustments set forth above shall be based upon increases or decreases from the level as of the effective date of this lease, if published figures are available therefor, using the United States Department of Labor Consumer Price Index, all items (1957-1959=100), or equivalent index in effect at the time of any rental adjustment. Each sublease shall provide that annual rental payments thereunder shall be adjusted proportionately to any adjustments made pursuant to this Paragraph 5. H.

6. ANNUAL ACCOUNTING AND INSPECTION OF BOOKS.

The Lessee shall, not later than sixty days after each successive anniversary date of this lease, submit to the Lessor and the Secretary an audited statement of all rentals and gross receipts of any kind whatsoever received from the leased premises during the preceding year, including detail of the type and character of the rental due to Lessor for such period. Such audited statement shall be prepared by a Certified Public Accountant in accordance with accepted accounting procedures. Statements of rentals and gross receipts, certified by an officer of the Lessee, shall accompany each quarterly rental payment then due. The Lessor, or its agents and representatives, shall, at Lessor's sole expense, have the right to inspect and audit all of Lessee's books and records as shall pertain to this lease upon reasonable notice, during normal business hours. In the event such inspection or audit shall reveal an error in the correctness of any rental payments in excess of three percent (3%) of the amount due the Lessor, the Lessee shall pay the Lessor's costs of such audit or inspection, except in the case of inadvertent error.

The acceptance by the Lessor of any monies paid to the Lessor by Lessee as rental for the leased premises as shown by any statement furnished by Lessee shall not be an admission of the accuracy of said statement, or of the sufficiency of the amount of said rental payment, but the Lessor or the Secretary shall be entitled at any time within four (4) years after the receipt of any such rental payment to question the sufficiency of the amount thereof and/or the accuracy of the statement furnished by Lessee to justify the same, and shall have the right to inspect and/or audit as hereinbefore described. Therefore, Lessee shall, for said period of four (4) years after submission to the Lessor or the Secretary of

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any such statement, keep safe and intact all of Lessee's records, books and accounts required to justify in detail any such statement, and Lessee shall insert a provision in all subleases which provides for percentage rental payments requiring similar retention of records, and giving the Lessor the right to inspect or audit said records.

7. IMPROVEMENTS.

As a material part of the consideration of this lease, the Lessee covenants and agrees that, within ten (10) years from the beginning date of the term of this lease, the Lessee shall have performed the following improvement works on the leased premises:

A. Off-Site Improvements

The general plan of development attached hereto as Exhibit "A" provides for off-site improvements such as streets, drainage, water system, sewers, street lighting, power and gas, and the construction of walls surrounding Pueblo subdivisions, and street furniture and landscaping. The master plan and architect's design contemplated by Paragraph 8 will detail the extent to which off-site improvements will be included throughout the development of the leased premises. Within five (5) years from the beginning date of the term of this lease, the Lessee shall complete construction of or have funded in accordance with the plan of business operation set forth in Exhibit "A" and the said master plan and architect's design, off-site improvements having a reasonable value of $2,250,000.00. During the period immediately subsequent to the said first 5-year period, the Lessee shall further complete or fund additional off-site improvements of the character and type described in the said Exhibit "A" and master plan and architect's design, having a reasonable value of $3,000,000.00.

B. On-Site Improvements

Within ten (10) years from the beginning date of the term of this lease, the Lessee shall construct all or a portion of the following named on-site improvements, having a reasonable value of $2,000,000.00:

(1) Commercial area, including offices, shops and concessions.

(2) Motel-restaurant complex, 60 to 100 rooms.

(3) Swim park, including swimming pool, bath house, volleyball court, shuffleboard and miscellaneous small sport facilities.

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(4) Riding stables and appurtenant facilities, including riding trails.

(5) Indoor sports arena with facilities for indoor sports and community meetings and social events.

(6) Picnic and camping facilities.

(7) Marina, including some or all of the following:

(a) Permanent boat slips (75-100 boats)
(b) Transient boat tie-up (100 feet)
(c) Auto and trailer parking areas (300 spaces)
(d) Dry marina (storage for 220 boats)
(e) Boat launching ramps (100 feet wide)
(f) Boat sales facility
(g) Boat repair yard with marine railway
(h) Boat rental
(i) Outboard motor sales and service facility
(j) Marine hardware
(k) Fish and Game warden headquarters
(l) Houseboat community (sales, lease, rental)
(m) Boat hauling
(n) Sportsmen's restaurant
(o) Sun deck and viewing terrace
(p) Fuel deck
(q) Excursion boat
(r) Bait and tackle shop
(s) Trading post
(t) Commissary
(u) Corporation Yard

(8) Homes, apartments, mobile homes and/or trailer parks.

C. In stating or describing the above improvements, the parties acknowledge that the foregoing statements and descriptions are not intended to be inflexible; the passage of time and the progress of the development, more accurate knowledge concerning soil and climatic conditions, and other conditions and events not now foreseeable, may reasonably make other improvements more desirable than the improvements stated herein. It is, therefore, agreed that Lessee may designate and describe substitute improvements to be constructed in place of any improvements set forth above and provided further that the substitute improvements have a value at least equal to the value of the improvement substituted for. No substitutions may be made without the consent of the Lessor and the Secretary, but such consent shall not unreasonably be withheld.

D. Without diminishing the obligation of the Lessee to make improvements as here stated, it is agreed that Lessee may lend money to, or advance money for, an Improvement Fund or other similar fund or entity, to be used for making such

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improvements which Lessee is obligated to make or which it may deem desirable; the Lessee shall have the right to repayment of any such loan or advance in accordance with the terms of the agreement evidencing the loan or advance; but the Lessor shall never be under any obligation to make any such repayment. No agreement for such loan or advance shall be made without the prior consent of Lessor or Secretary, but such consent shall not be unreasonably withheld.

It is understood and agreed that all improvements on the leased premises at the termination of this lease, whether by expiration of the lease term, by cancellation or otherwise, shall become the property of the Lessor, subject only to the valid rights under approved encumbrances and subleases.

8. PLANS AND DESIGNS.

A. Within six months after the commencement of the term of this lease, the Lessee shall submit for the approval of the Lessor and the Secretary a master plan and architect's design for the complete development of the leased premises, subject to options, comprising TRACT ONE through TRACT SIX. Within ninety (90) days from the date said master plan and architect's design is submitted, the Lessee shall submit a subdivision plat of all portions of TRACT ONE. When each option for additional tracts; i.e., TRACT TWO through TRACT SIX, is exercised, subdivision plats shall similarly be submitted for approval. The master plan and architect's design, upon approval, shall be deemed to take the place of the general plan of development with respect to the land covered thereby.

Each subdivision plat shall substantially conform to the general plan of development referred to in Paragraph 2. above.

B. In the event the Lessor, Lessee and the Secretary cannot agree on the master plan and architect's design within a reasonable time after submission thereof by the Lessee, either party may submit to arbitration as provided in Paragraph 22, the question whether the proposed master plan and/or the question whether the architect's design are reasonable for the development of the land. The parties shall consider the recommendations of the Board of Arbitration in the approval of the master plan and a reasonable time shall be allowed for such consideration.

C. Before commencing the construction of any improvements at a cost of

more than $5,000.00 on the leased premises, the Lessee shall submit to the Lessor and the Secretary comprehensive plans and specifications for the improvements then proposed. The Lessor and the Secretary shall approve such plans and specifications if they conform to the approved master plan and architect's design, but the Lessor and the Secretary shall not thereby assume any responsibility for construction or any violation of any applicable laws, ordinances, or governmental regulations. The Lessor and Secretary shall either approve or disapprove said plans and specifications within one hundred twenty (120) days after receipt thereof; provided that, in any event, approval shall not be unreasonably delayed. If either the Secretary or Lessor shall fail to approve or disapprove within said 120-day period, then such plans and specifications shall, on the expiration of 120 days, be deemed approved by the Secretary or the Lessor, as the case may be. No material change will be made in plans or specifications after approval without the consent of the Lessor and the Secretary. In the case of residential improvements, if the plans and specifications for any single-family unit or multi-family building are approved in the manner set forth above, such plans and specifications shall be deemed to have been approved where they are applied without change to any other such unit or building on the leased premises.

D. It is understood by the parties that the Lessee intends to create or cause to be created a new municipality or municipalities or like political subdivisions or cause to be created property owner's associations or like entities for residents of the leased premises. Such municipalities, political subdivisions or associations must, of necessity, provide any and all municipal services normally and usually provided by municipal corporations. These services shall include but shall not necessarily be limited to water service, sewer service, streets, utilities, schools, parks, police and fire protection, and any and all other normal and usual municipal services. It shall be the responsibility of the Lessee to furnish or cause to be furnished all such municipal services, it being understood that neither the Lessor nor the Secretary shall be in any way responsible for or obligated to furnish municipal services to the residents of the leased premises. The Lessee shall submit to the Lessor and the Secretary for approval as a part of the master plan and architect's design required by

this Paragraph, a complete and detailed plan for such municipal services which plan, upon being approved by the Lessor and the Secretary, shall become an integral part of this lease.

E. In addition to any approval by the Lessor and the Secretary required by this lease, any and all plans or specifications for the construction or installation of any water, sewer or waste disposal system shall be approved by the appropriate public health agency and by the Corps of Engineers. In addition thereto, the Lessee shall cause all such plans and specifications to be in compliance with the Federal Water Pollution Control Act.

9. CONSTRUCTION, MAINTENANCE, REPAIRS AND ALTERATIONS.

The construction of all improvements by the Lessee shall be in accordance with the plans and specifications set forth in Paragraph 8. The construction of residences and commercial properties shall be located in accordance with the master plan and architect's design set forth in Paragraph 8. Further, all construction on the leased premises shall comply with the building code or codes of the Lessor as the same may exist from time to time. The Lessor's building codes shall not be more restrictive than the appropriate Uniform Building Code or Codes in effect at the same time.

The Lessee and the sublessees shall be responsible for the maintenance, repair and upkeep of all buildings and other improvements constructed on the leased premises. The Lessee and its sublessees may make such alterations, additions and improvements as are consistent with provisions of Paragraph 8.

10. MECHANIC'S LIENS.

Under existing Federal law, no liens may be created or initiated against the interest of the Lessor or the United States on the leased premises under or by virtue of the laws of New Mexico. Nevertheless, the Lessee shall not permit any laborer's, mechanic's, materialmen's, contractor's, or subcontractor's lien arising from any work of construction, repair, restoration, or removal as herein provided, or any other valid claims or demands of any nature arising from the direction or authority of Lessee, to be enforced against the leased premises or any part thereof, but the Lessee shall pay all such claims, liens and demands before any action is brought to enforce same; or in lieu therefor post judicial bond as may be required by laws. The Lessee agrees to hold the

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Lessor and said premises free and harmless from any and all such liens, claims, or demands, together with all attorney's fees, costs and expenses in connection therewith. The Lessee further agrees that prior to the commencement of any construction of improvements on the leased premises by or under the authority of the Lessee which might result in mechanic's, materialmen's or other liens being established in the event the premises were subject to the laws of New Mexico, the Lessee will notify the Lessor and the Secretary in sufficient time to permit them to file non-responsibility notices authorized by New Mexico law, if they should choose to do so. The provisions of this article shall be inserted in every sublease.

11. PERFORMANCE AND PAYMENT BONDS.

Before the commencement of construction of each improvement, other than a single-family residential improvement on the leased premises, Lessee agrees to provide performance and payment bonds in an amount satisfactory to the Lessor, which will guarantee completion of the improvement in accordance with plans and specifications, and payment in full of all claims of all persons for work performed in or materials furnished for or on behalf of said construction.

12. COMPANIES BONDING AND INSURING.

All corporate surety bonds provided by Lessee in compliance with this lease shall be furnished by companies holding certificates of authority from the Secretary of the Treasury as acceptable sureties or such responsible companies as are rated A-plus, AA, or better in the current edition of Best's Insurance Guide.

13. SUBLEASE, ASSIGNMENT, TRANSFER.

A. Except as hereinafter set forth for residential lot subleases, the Lessee shall not sublease, assign or transfer this lease or any right to or interest in this lease or any of the improvements other than residential improvements on the leased premises, without the written approval of the Lessor, the Secretary and sureties and no such sublease, assignment or transfer shall be valid or binding without said approval and then only upon the condition that the sublessee, assignee or other successor in interest, excepting an approved encumbrancer, shall agree in writing to be bound by each and all of the covenants and conditions of this lease. Should the Lessee make any such sublease, assignment,

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or transfer, except as aforesaid, such action shall be deemed a breach of this lease excepting that an approved encumbrancer, as herein set forth, may enforce his rights in the manner provided in the terms of Paragraph 15. Subject to the terms of subparagraph B of this paragraph, the approval of one sublease, assignment or transfer shall not validate a subsequent sublease, assignment or transfer, and the restrictions of this paragraph shall apply to each successive sublease, assignment or transfer hereunder and shall be severally binding upon each and every sublessee, assignee, transferee, and other successor in interest of the Lessee, excepting that an approved encumbrancer may enforce his rights in the manner provided as set out in Paragraph 15.

The Lessor and Secretary shall not unreasonably withhold approval of any sublease, assignment or transfer, or any other matter requiring approval pursuant to the provisions of this paragraph and shall either approve or state their reasons for disapproval within thirty (30) days after the sublease, assignment or transfer or other matter is received by them for approval. Except as provided in Paragraph 5, the rental of hotel or motel rooms or apartments or houses for periods of less than one (1) year shall not be considered subleasing as that term is used in this lease.

B. Prior to offering any residential lots for sublease, the Lessee shall submit for approval of the Lessor, the Secretary and sureties, all forms used in subleasing and assigning subleases of residential lots. Approval of such forms by the Lessor, the Secretary and sureties, shall constitute advance approval of all subleases of residential lots or assignments of such subleases in which such forms are used, entered into by Lessee under this lease. A copy of each sublease and assignment thereof shall be furnished the Lessor.

The Lessee agrees to use a reasonable and diligent effort to keep all subleases in a current rental status, to insure that sublessees are not otherwise in default in compliance with their subleases, and to take all reasonable and necessary steps to insure such compliance, including, but not limited to, action to collect rentals, eviction, forcible entry and detainer and any and all other remedies available to the Lessee in law or in equity.

Termination of this lease, by cancellation or otherwise, shall not

serve to cancel approved subleases or subtenancies, but shall operate as an assignment to Lessor of any and all such subleases or subtenancies.

14. STREETS, UTILITIES AND OFF-SITE IMPROVEMENTS.

The Lessee shall have the right to enter into agreements with public utility companies and the State of New Mexico and its political subdivisions to provide utility services, including gas, water, electricity, telephone, television and sewer lines necessary for the full enjoyment of the premises herein leased; provided, however, that in the event the Lessor or any company owned or controlled by Lessor is at any time ready, willing and able to furnish any or all said utilities, the Lessor shall have the right, on the conditions stated below, to require the Lessee and its sublessees to purchase such utilities from the Lessor, or from the company owned or controlled by the Lessor. The conditions to such requirement are (1) if the Lessee directly or indirectly operates any such utility, the Lessor shall first pay to the Lessee the fair market value of the Lessee's interest in such utility, and (2) the rates charged by the Lessor's owned or controlled utility company shall be and remain fair, reasonable and competitive with the rates charged for similar services by other utility companies in or reasonably near the premises.

Streets and roads shall be dedicated in accordance with the ordinances and regulations of the Lessor and the master plan contemplated by Paragraph 8, together with any amendments thereto, provided that such agreement or dedication shall not be for a period of time longer than the term of this lease. The plats of such roads and streets shall be filed for record in such places as shall be required by the Lessor and the Secretary; however, neither the dedication of any roads and streets nor the filing of any plat will impose any obligation on Lessor or Secretary for maintenance of any roads or streets.

The actual growth of the premises from undeveloped land to a developed community is contemplated to take a considerable number of years; therefore, the parties agree that streets, utilities and off-site improvements need not be constructed ahead of actual need. The Lessee agrees to establish an interest-bearing escrow fund or trust fund acceptable to the Lessor and the Secretary, controlled by a trustee or trustees, or similar entity approved by the parties,

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into which will be deposited from time to time in a manner spelled out in Exhibit "A" attached hereto, a sum equal to 11% of the estimated cost of construction and maintenance of such streets, utilities and off-site improvements as such continuing cost is to be estimated in the master plan and architect's design to be filed pursuant to Paragraph 8. The deposits into said fund shall be derived from charges attributable to subleases made either at the time of the sale of sublease or from annual assessments from subleases according to the plan of business operation set forth in Exhibit "A". In the event, at any time, said fund is insufficient to pay for the cost of needed streets, utilities and off-site improvements, the Lessee agrees to advance such funds as may be necessary to defray such cost, it being understood that any funds so advanced by the Lessee may be reimbursed to the Lessee from the said fund.

In the event all streets, utilities and off-site improvements are completed and a proper reserve for maintenance has been established, surplus funds then remaining in said fund may be used for any community purposes determined necessary and proper by the trustee after consultation with the Lessor, Lessee and appropriate representative of the residents of the leased premises.

15. ENCUMBRANCES.

This lease, or any right to or interest in this lease or any of the improvements on the leased premises may not be encumbered without the written approval of the Lessor, the Secretary and sureties, and no such encumbrance shall be valid without said approval. It is understood, however, that the Lessee may submit to the Lessor, the Secretary and sureties for their approval, encumbrance forms to be used in encumbering the leasehold or subleaseholds. If such forms are approved, encumbrances may be made on such forms without further approval.

An encumbrance must be confined to the leasehold interest of Lessee or the subleasehold interest of a sublessee and shall not jeopardize in any way the Lessor's interest in the land or subordinate the rental due the Lessor. Lessee agrees to furnish as requested any financial statements or analyses pertinent to the encumbrance that the Lessor or Secretary may deem necessary to justify the amount, purpose and terms of said encumbrance.

"Approved encumbrance" herein shall mean an encumbrance approved, or on

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forms approved, by the Secretary, the Lessor, and sureties, if any, in the manner provided herein. "Encumbrancer" herein shall mean the owner and holder of an approved encumbrance.

A. An encumbrancer of any sublessee in the event of default by sublessee of the terms of an approved encumbrance, may exercise any rights provided in such approved encumbrance, provided that before any sale of the subleasehold, whether under power of sale or foreclosure, the encumbrancer shall give to the Secretary and Lessee hereunder notice of the same character and duration as is required to be given to the sublessee by the laws of the State of New Mexico, or by the terms of the approved encumbrance if such notice be different from that required by the State of New Mexico.

If notice of such sales shall be given and the defaults or any of them upon which such notice of sale is based shall then continue, Lessee shall have the following rights which may be exercised at any time prior to the completion of sale proceedings:

(1) To pay the encumbrancer the full unpaid principal amount of the approved encumbrance, plus unpaid interest accrued to the date of such payment; or

(2) To execute in favor of the encumbrancer a promissory note and a new encumbrance for the full unpaid principal amount of the approved encumbrance, plus unpaid interest accrued to the date of such execution, plus sale expenses incurred to the date of such execution, upon the same terms and conditions as originally provided by the approved encumbrance, and delivering to the encumbrancer a policy of title insurance in the amount of such promissory note issued by a title insurance company duly authorized under the laws of the State of New Mexico to do business in the County in which such property is situated, and insuring that the new encumbrance is a first lien upon the subleasehold described in said sublease subject only to current taxes and to conditions, restrictions and reservations of record at the time of recording the approved encumbrance.

If the Lessee exercises either of the above rights, all of the right, title and interest of the sublessee in the sublease shall automatically terminate on the date the right is exercised and the Lessee shall, on the same date,

acquire the subleasehold; however, the acquisition of the subleasehold by Lessee under these circumstances shall not extinguish the sublease by merger with the lease or otherwise.

In the event the Lessee does not avail himself of the above rights and any sale under the approved encumbrance occurs, whether by power of sale or foreclosure, the purchaser at such sale shall succeed to all of the rights, title and interest of the sublessee in the subleasehold covered by said approved encumbrance. It is further agreed that if the purchaser at such sale is the encumbrancer, the encumbrancer may sell and assign the subleasehold without any further consent, provided that the assignee shall agree in writing to be bound by all the terms and conditions of the sublease. If the encumbrancer is the purchaser, it shall be required to perform the sublease only so long as it retains title thereto. If a sale under the approved encumbrance occurs and the purchaser is a party other than the encumbrancer, said purchaser, as successor in interest to the sublessee shall be bound by all the terms and conditions of the sublease.

B. In the event of default by the Lessee of the terms of an approved encumbrance, the encumbrancer may exercise any rights provided in such approved encumbrance, provided that before any sale of the leasehold, whether under power of sale or foreclosure, the encumbrancer shall give to the Secretary and Lessor notice of the same character and duration as is required to be given to the Lessee by the laws of the State of New Mexico or by the terms of the approved encumbrance, if such notice is different from that required by the State of New Mexico.

If notice of such sale be given, and the defaults or any of them upon which such notice of sale is based shall then continue, Lessor shall have the right, which may be exercised at any time prior to the completion of sale proceedings, to pay to the encumbrancer the full unpaid principal amount of the approved encumbrance, plus unpaid interest accrued to the date of such payment, plus sale costs incurred to the date of such payment. If the Lessor exercises the above right, this lease shall automatically terminate, as to the property covered by such approved encumbrance, on the date the right is exercised and

shall be of no further force and effect; provided, however, that such termination shall not relieve the Lessee from any obligation or liability which had accrued prior to the date of termination.

In the event the Lessor does not avail himself of the right above set forth in this paragraph and any sale under the approved encumbrance occurs, whether by power or sale of foreclosure, the purchaser at such sale shall succeed to all of the rights, title and interest of the Lessee in the leasehold estate covered by said approved encumbrance. It is further agreed that if the purchaser at such sale is the encumbrancer, the encumbrancer may sell and assign the leasehold interest without any further consent, provided that the assignee shall agree in writing to be bound by all the terms and conditions of this lease. If the encumbrancer is the purchaser, it shall be required to perform this lease only so long as it retains title thereto. If a sale under the approved encumbrance occurs and the purchaser is a party other than the encumbrancer, said purchaser, as successor in interest to the Lessee, shall be bound by all the terms and conditions of this lease.

16. TAXES AND ASSESSMENTS.

A. Subject to the provisions of Paragraph 5. G. (2), the Lessee shall pay, when and as the same become due and payable, all taxes, general and special assessments, and other like charges, including any and all licenses, fees or charges properly assessed, which may be lawfully levied, assessed, or imposed during the term of this lease upon or against the leased land and all interests therein and improvements and other property thereon to which either the Lessee or Lessor may become liable in relation thereto; and Lessee agrees to protect and hold harmless the Lessor and the leased premises and all interests therein and improvements thereon from any and all such taxes, assessments, and charges and from any lien therefor or sale or other proceedings to enforce payment thereof. Lessee shall on request furnish to the Lessor and the Secretary written evidence duly certified that any and all taxes required to be paid by Lessee hereunder have been paid, satisfied, or otherwise discharged.

B. The parties or either of them shall have the right to contest any asserted tax or assessment.

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17. LESSOR'S PAYING CLAIMS.

Lessor shall have the right to pay any lien or charge payable by Lessee under this lease, or settle any action therefor, if the Lessee after written notice from the Lessor or the Secretary, fails to pay or post bond against enforcement. All costs and other expenses incurred by Lessor, in paying or settling any such claim, shall be paid to Lessor by Lessee upon demand, with interest at the rate of eight percent (8%) per annum from the date of payment until repaid. Default in such repayment shall constitute a breach of the covenants of this lease.

18. PUBLIC LIABILITY INSURANCE.

At all times during the term of this lease, Lessee shall carry a public liability insurance policy in the amount of not less than $1,000,000.00 / $3,000,000.00 for personal injury and $100,000.00 for property damage, said policy to be written jointly to protect Lessee and Lessor as their interests may appear. Copies of said policy shall be furnished the Lessor and Secretary. Neither the Lessor nor the United States Government, nor their officers, agents, and employees shall be liable for any loss, damage, or injury of any kind whatsoever to the person or property of the leased premises, or by any defect in any structure erected thereon, or arising from any accident, fire, or other casualty on said premises; and Lessee, as a material part of the consideration for this lease, hereby waives on Lessee's behalf all claims against Lessor and the United States Government and agrees to hold Lessor and the United States Government free and harmless from liability for all claims for any loss, damage, or injury arising from the use of the premises by the Lessee, together with all costs and expenses in connection therewith.

It is agreed between the parties that the public liability insurance policy carried by the Lessee pursuant to this lease shall be reviewed not less than every five years during the term of this lease to determine whether the amounts and type of liability insurance coverage is adequate to protect the parties. In the event the parties cannot agree on the proper amount and type of public liability insurance to be carried, the parties agree to submit the matter to arbitration, pursuant to Paragraph 22.

19. FIRE AND DAMAGE INSURANCE.

Lessee shall, during the term of this lease, keep and require sublessees to keep buildings and improvements on the leased premises insured against loss or damage by fire, with extended coverage endorsements, jointly in the names of the Lessee and Lessor, or the sublessee and Lessor, as the case may be, and in an amount equal to 80% of the insurable value of the buildings and improvements. The Lessee's and sublessee's insurance policies shall be deposited with the Secretary and the Lessee or sublessee shall pay all premiums for such insurance, and deposit with the Secretary the receipt for each premium as paid, or satisfactory evidence thereof. In the event of partial or total destruction of or damage to any building or improvement on the leased premises, then as often as same shall occur, the Lessee or sublessee, at Lessee's or sublessee's sole cost, shall reconstruct the building or improvement or, upon approval by Lessor, of a building or improvement capable of rendering equivalent service, in compliance with laws and building regulations of the Lessor, excepting those changes, alterations, or omissions permitted by the written consent of the Lessor and the Secretary. Such reconstruction shall commence within ninety days after the damage or destruction occurs and shall be pursued diligently. All funds received in respect to said insurance shall be deposited in escrow with an institution approved by the Lessor and Secretary, together with funds supplied by the Lessee from other sources to make up any deficiency in such insurance proceeds. Escrow instructions shall include provisions that all funds shall be disbursed during the progress of the work of repair, restoration, or replacement, upon proper architect's, engineer's, or contractor's certificate in such amounts as may be necessary to pay the cost of such repair, restoration or replacement.

If there has been no default on the part of Lessee in the performance of the covenants herein, any excess of money received from insurance remaining in escrow after restoration or replacement of buildings and improvements has been completed shall be paid to Lessee; if a default has taken place, said excess shall remain in escrow as security for performance of Lessee until said default shall have been corrected, after which funds remaining shall be paid to Lessee.

If partial or total destruction of any improvement occurs at such time that

the estimated useful life of such improvement, if reconstructed, would extend beyond the lease term, then the Lessee shall have the option of (1) clearing the premises occupied by such improvement and electing not to reconstruct such improvement or (2) reconstructing the improvement.

In the event the Lessee elects not to reconstruct the improvement, the insurance proceeds covering such destruction shall be applied first to clearing the premises and then divided between the Lessor and the Lessee on the following basis:

A. The Lessee to receive that portion of the proceeds represented by a fraction whose numerator is the number of whole calendar months from the date of partial or total destruction until the expiration of the term of this lease, and whose denominator is the total number of whole calendar months representing the entire useful life of the said improvement; and

B. The Lessor to receive the remainder of such proceeds.

In the event the Lessee elects to reconstruct the improvement, the insurance proceeds shall be used for such reconstruction; provided that in the event the said proceeds are not sufficient to cover such reconstruction costs, the balance of said costs shall be apportioned in accordance with the same ratio as set forth above regarding the apportionment of proceeds where there is no reconstruction.

Any encumbrancer shall be named as a beneficiary under the insurance mentioned in this paragraph. In the event of loss or damage to the buildings on the leased property while an approved encumbrance remains unpaid, the amount of such loss or damage (but not exceeding the amount of the approved encumbrance) shall be paid to the encumbrancer. If such amount paid to the encumbrancer is sufficient to repair the loss or damage with respect to which it was paid, or if Lessor, Lessee or sublessee, shall within ninety (90) days after such payment by the insurer to the encumbrancer deposit with the encumbrancer sufficient funds to completely repair the loss or damage, when added to the amount paid by the insurer to the encumbrancer, the encumbrancer shall, upon written order of Lessor and Lessee or sublessee, pay such monies for such repair, and it shall not be deemed a payment or credit on the encumbrance; but otherwise, at the expiration of such ninety (90) day period said sum so paid by the insurer to the encumbrancer shall be applied and credited upon the approved encumbrance.

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20. COMPLETION OF DEVELOPMENT.

The Lessee shall complete the full improvement and development of the leased premises in accordance with the schedules, plans and architect's designs submitted in accordance with Paragraphs 7 and 8 above within the times specified in this lease. If the Lessee fails to complete required development as to tracts whose option is exercised within such period, the guaranteed minimum annual rental payable under this lease including any periodic adjustment thereof shall increase fifty percent (50%) at the beginning of the next fiscal year of this lease, and shall return to the fixed guaranteed annual rental including any periodic adjustment thereof when the improvements are completed.

Whenever under this lease a time is stated within which or by which original construction, repairs, or reconstruction of said improvements shall be made and during such period a general or sympathetic strike or lockout occurs, war, or rebellion ensues, or some other event unquestionably beyond Lessee's power to control and such event causes delay, the period limited herein for the completion of such work shall be extended by the period of such delay.

21. CONDEMNATION.

If, at any time during the term of this lease, the leased premises or any part thereof is taken or condemned by public authority, then and in every such case, the leasehold estate and interest of the Lessee in said premises or part thereof taken, shall forthwith cease and terminate. All compensation awarded by reason of the taking of the leased land and any taking of or injury to the buildings or improvements located thereon shall be awarded to the Lessee and the Lessor as their interests appear at the time of such taking. If more than five percent (5%) of the premises are taken or condemned, the guaranteed annual rental payable for the remainder of the lease term shall be reduced in the proportion that the acreage taken bears to the total acreage prior to the taking.

In the event of condemnation of the leased premises or any part thereof, the compensation or award insofar as it is awarded for damages to the improvements on the leased property, to the extent of the unpaid balance of any approved encumbrance, shall be paid to the encumbrancer. As between Lessor and Lessee or sublessee as the case may be, such amount shall be deemed paid to the Lessee or

sublessee and if such amount exceeds the amount to which Lessee or sublessee is entitled under the other terms of this lease, Lessee or sublessee shall pay any such excess to Lessor.

22. ARBITRATION.

Whenever this lease calls for arbitration, the parties hereby agree that such arbitration shall be governed by the rules and procedures of the American Arbitration Assocation. Whenever, in all other matters concerning this lease, the Lessor and the Lessee are unable to reach an agreement respecting any provision of this lease, the parties may also agree to submit to arbitration in accordance with the rules and procedures of the American Arbitration Association. This paragraph shall not be construed as requiring either party to submit to compulsory arbitration except in those specific cases where this lease specifically calls for arbitration. It is understood and agreed that the Secretary may be expected to accept any reasonable decisions reached in arbitration proceedings, but that he cannot legally bind himself to arbitration.

23. DEFAULT.

Time is declared to be of the essence of this lease. Should Lessee default in any payment of rent or other monies or fail to post any bond required by the terms of this lease, and if such default shall continue uncured for the period of thirty (30) days after written notice thereof by the Secretary or the Lessor to the Lessee, during which thirty-day period Lessee shall have the privilege of curing such default, or should Lessee breach any other term, provision or covenant of this lease, and if such breach shall continue uncured for a period of sixty (60) days after written notice thereof by the Secretary or the Lessor to the Lessee, during which sixty-day period Lessee shall have the privilege of curing or commencing to cure such breach, then Lessor and the Secretary may either:

A. Collect, by suit or otherwise, all monies as they become due hereunder, or enforce, by suit or otherwise, Lessee's compliance with any other provisions of this lease, or

B. Re-enter the premises and remove all persons and property therefrom, excluding the property belonging to authorized sublessees; and either:

(1) Re-let the premises without terminating this lease as agent and



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for the account of Lessee, but without prejudice to the right to terminate the lease thereafter, and without invalidating any rights of Lessor and the Secretary or any obligation of Lessee hereunder. Terms and conditions of such re-letting shall be at the discretion of Lessor and the Secretary, who shall have the right to alter and repair the premises as they deem advisable, and to re-let with or without any equipment or fixtures situated thereon. Rent from any such re-letting shall be applied first to the expenses of re-letting, collecting, altering and repairing, including attorney's fees and any real estate commission actually paid, and thereafter toward the payment of all amounts due to Lessor and if a sufficient sum is not thus realized to liquidate the total due, Lessee shall pay to Lessor monthly when due any deficiency, and Lessor or the Secretary may sue thereafter as each monthly deficiency shall arise.

(2) Terminate this lease at any time and even though Lessor and the Secretary have exercised rights as outlined in subparagraph (1) above. Exercise of this remedy may include recourse to any other remedy.

In the event the leasehold is encumbered pursuant to Paragraph 15, the notices set forth in this paragraph shall also be sent to the approved encumbrancer. Such encumbrancer shall have the right to remedy the default in the name of the Lessee, in which case the default shall be considered as remedied the same and to the extent as if done by the Lessee.

Any adjudication as a bankrupt taken or suffered by Lessee as a debtor under any insolvency or bankruptcy shall constitute a breach of this lease. In such event, the Lessor and the Secretary shall have the options set forth in subparagraphs (1) and (2) herein, and furthermore, the Lessor is hereby declared to be a first preferred creditor, subject to the provisions of Paragraph 15. Notwithstanding any other provision of this lease, the parties agree that upon default, abandonment or lawful ejectment from the leased premises, the Lessee shall be liable to the Lessor for $500,000.00 as liquidated damages, and not as a penalty. The obligation of the Lessee for, or payment of, liquidated damages shall not affect or limit the right of the Lessor under this lease to collect rentals directly from sublessees and retain the same for the Lessor's sole use or benefit.

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No waiver of a breach of any term, provision, or covenant of this lease shall be construed to be a waiver of any succeeding breach of the same or any term, provision or covenant.

24. MINERALS AND WATER RIGHTS.

A. This lease is the lease of the surface and rights incident thereto and nothing contained herein shall be construed as a lease, assignment, sale, transfer, or other conveyance of minerals or mineral right. Title or interest in and to the minerals on, in or under the lands herein leased shall remain in the Lessor; provided, however, that the Lessor shall exercise no surface entry rights in connection with the mineral rights herein reserved without prior consent of the Lessee.

B. This lease is a lease of the surface and rights incident thereto, and the Lessor excepts and reserves out of the grant hereby made, all water rights owned by the Lessor; provided, however, that Lessee will have the right to drill water wells and to use water from said wells for all reasonable and necessary domestic and municipal, but not industrial, development of the leased premises and that Lessor shall insure that it has a water right or will acquire in its own name a water right sufficient for the reasonable and necessary domestic and municipal, but not industrial, development of the leased premises, provided, however, that water used by industrial sublessees for sanitary, domestic and fire protection purposes shall not be construed as an industrial use.

See conflict Page 53 Town Charter

All subleases and encumbrances shall contain a provision that all mineral rights and water rights, on, in, and under the subleased premises are vested in the Pueblo de Cochiti, subject, however, to Lessee's rights to take and to use water for itself and its sublessees as above stated.

25. HOLDING OVER.

The parties agree that no holding over by the Lessee after the expiration of this lease, or any renewal or extension thereof, whether with or without the consent of the Lessor, shall operate to extend or renew this lease and that any such holding over shall be construed as a tenancy from year to year at twice the rental which was paid or payable during the year immediately next preceding the commencement of the holding over. Such tenancy shall be subject to all terms,

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conditions, covenants, and agreements of this lease. Lessee shall insert a similar provision in all subleases. Holding over by a sublessee shall not be deemed to constitute a holding over by the Lessee.

26. NO PARTNERSHIP: OPERATION OF BUSINESS.

Regardless of the fact that terms of rental are in a part on a percentage basis, Lessee and Lessor are not in partnership, and neither is the agent of the other.

All businesses and activities on the leased premises shall be conducted during regular and customary hours and on all business days in good faith, so that the Lessor will, at all times, receive as much income as is reasonably obtainable under the provisions of this lease.

It is understood by the parties that the sale of intoxicating beverages is allowable on the leased premises pursuant to the Ordinances of the Pueblo de Cochiti. Any liquor license for the sale or dispensing of intoxicating beverages shall be held in the name of the Pueblo de Cochiti, provided that the Lessor shall not unreasonably withhold any lease of said license or an interest therein to a private party; further provided that said private party complies with the laws of the State of New Mexico and the reasonable regulations of the Pueblo de Cochiti regarding the sale or dispensing of intoxicating beverages.

27. LANDS NOT TO BE SUBLEASED WITHIN DEVELOPMENT AREA.

The Lessee agrees that it will not sublease any land of the Lessor within the general development area, closer than 200 feet from the exterior boundary of the Pueblo de Cochiti Grant.

28. TERMINATION OF FEDERAL TRUST.

Nothing contained in this lease shall operate to delay or prevent a termination of Federal Trust responsibilities with respect to the land by the issuance of a fee patent to the Lessor or otherwise during the terms of this lease; however, such termination shall not serve to abrogate or otherwise to affect this lease. The Lessor and the Lessee and their surety or sureties shall be notified of any such change in the status of the land.

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29. OBLIGATIONS OF LESSEE.

While the leased premises are in trust or restricted status, all of the Lessee's obligations under this lease, and the obligations of its sureties, are to the United States as well as to the Lessor.

30. PAYMENTS AND NOTICES.

All payments made hereunder shall be made directly to the Lessor, by check payable to Bonded Treasurer, Pueblo de Cochiti, c/o Governor, at the address set forth below. Notices shall be mailed, certified mail, postage prepaid, to the following respective addresses:

| LESSOR | LESSEE |
|---|---|
| Governor<br>Pueblo de Cochiti<br>Cochiti Pueblo, New Mexico 87041 | California City Development Company<br>6363 Sunset Boulevard<br>Los Angeles, California 90028 |

SECRETARY

c/o Superintendent
United Pueblos Agency
P.O. Box 1667
Albuquerque, New Mexico 87103

In the event that any party changes its address, written notice of such change shall be mailed to the other parties and upon receipt of said notice, the other parties will mail all notices required hereunder to the new address set forth in said notice.

31. INSPECTION OF PREMISES.

The Lessor, the Secretary and their authorized representatives shall have the right, at any reasonable times during the term of this lease, to enter upon the leased premises, or any part thereof, to inspect the same and all buildings and other improvements erected and placed thereon.

32. WASTE.

The Lessee agrees not to suffer or commit any waste on the premises.

33. QUIET ENJOYMENT.

The Lessor covenants and agrees with the Lessee that upon the Lessee paying rent as set forth in this lease and upon performing all the terms, covenants, agreements and conditions on the Lessee's part to be observed and performed, the Lessee may peaceably and quietly enjoy the premises hereby demised, subject to all the terms and conditions of this lease.

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34. DELIVERY OF PREMISES.

At the termination of this lease, Lessee will peaceably and without legal process deliver up the possession of the leased premises to the Lessor, in good condition, usual wear and tear and acts of God excepted.

35. LEASE BINDING UPON SUCCESSORS.

This lease and the covenants, conditions and restrictions hereof shall extend to and be binding upon the successors, heirs, assigns, executors and administrators of the parties hereto.

36. INDIAN EMPLOYMENT AND RECREATIONAL PRIVILEGES.

A. The employment of members of the Pueblo de Cochiti in the business operations and service enterprises to be undertaken under the provisions of this lease is hereby declared to be a part of the consideration received by Lessor hereunder. Lessee agrees to employ qualified Cochiti tribal members to the greatest practicable extent in all positions for which they may apply for employment. In addition, the Lessee shall establish and coordinate with appropriate State and Federal agencies, training programs designed to qualify tribal members for such employment and for employment at higher levels of responsibility and pay than such employees may then enjoy, it being a major purpose of this lease to stimulate and facilitate the employment of tribal members and to upgrade and improve their skills and employment opportunities. The Lessee shall include in its master plan under Paragraph 8 a statement containing undertakings and plans in connection with the foregoing. Such statement shall become an integral part of this lease, and Lessee shall be bound by the provisions and terms thereof.

B. As partial consideration for this lease, the Lessee agrees to provide recreation privilege cards to all members of the Pueblo de Cochiti and their immediate families at no cost to any Pueblo de Cochiti members or their immediate families.

37. LESSEE TO ASSUME LESSOR'S OBLIGATION TO THE CORPS OF ENGINEERS.

As partial consideration for this lease, the Lessee shall undertake the Lessor's rights and obligations to the Corps of Engineers spelled out in Memorandum of Understanding between the Lessor and the Corps of Engineers, dated November 16, 1965, in accordance with the plan described in Exhibit "A" ac

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implemented by the master plan and architect's design, and as further may be set forth in this lease.

38. VALIDITY.

This lease, and any modification of or amendment to this lease, shall not be valid or binding upon either party hereto until approved by the Secretary.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals the day and year first above written.

ATTEST:

[signature]

PUEBLO DE COCHITI

By [signature]
Governor

ATTEST:

[signature]

Mom E. Cohen, Secretary

CALIFORNIA CITY DEVELOPMENT COMPANY

By [signature]

Title [signature]

APPROVED: APR [illegible] 1969
(date)

Wehling [signature]

Acting [signature]
Area Director
Albuquerque Area Office
Bureau of Indian Affairs

Approved pursuant to delegation of approval authority from Secretary of Interior in letter dated April 7, 1969

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STATE OF NEW MEXICO )
: ss.
COUNTY OF BERNALILLO )

The foregoing instrument was acknowledged before me this 10th day of April, 1969, by CELSO MONTOYA, Governor of the Pueblo de Cochiti, an Indian Tribe, on behalf of said Tribe.

Notary Public

My Commission expires:

8-3-70

STATE OF CALIFORNIA )
: ss.
COUNTY OF Los Angeles )

The foregoing instrument was acknowledged before me this 5th day of April, 1969, by M. K. Mendelsohn, President of California City Development Company, a California corporation, on behalf of said corporation.

Notary Public

My Commission expires:

December 14, 1969

OFFICIAL SEAL
ANN HERRERA
NOTARY PUBLIC-CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY

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# R E S O L U T I O N

At a duly called meeting of the Council of the Pueblo de Cochiti, held on the 22 day of December, 1968, the following Resolution was adopted:

WHEREAS, the Cochiti Dam and Reservoir, a Corps of Engineers project is being constructed on the lands of the Pueblo of Cochiti; and

WHEREAS, the construction of said dam and reservoir will open up large areas of Cochiti Pueblo land for residential, commercial, industrial and recreational development; and

WHEREAS, the Pueblo of Cochiti Council has been for approximately two years, negotiating with the California City Development Company of Los Angeles, California, for a long-term lease of Cochiti land for such residential, commercial, industrial and recreational development; and

WHEREAS, the Congress of the United States by the Act of October 12, 1968, (82 Stat. 1003) authorized the lease of Pueblo of Cochiti lands for terms not to exceed 99 years, subject to the approval of the Secretary of the Interior; and

WHEREAS, the Council of the Pueblo of Cochiti and California City Development Company have agreed upon the terms of a lease not to exceed 7,500 acres of Cochiti Pueblo land, for a period of 99 years, and that said lease has been discussed, considered and approved by the Pueblo of Cochiti Council.

NOW, THEREFORE, BE IT RESOLVED that the said lease by and between Pueblo of Cochiti and California City Development Company be and the same is hereby approved.

BE IT FURTHER RESOLVED that the Governor of the Pueblo of Cochiti be and he is hereby authorized and directed to execute said lease for and on behalf of Pueblo of Cochiti; and to forward the same to the Secretary of Interior for approval.

Governor

ATTEST:

Secretary

# C E R T I F I C A T I O N

I hereby certify that, at a duly called meeting of the Council of the Pueblo de Cochiti, held on the 22 day of December, 1968, at which a quorum was present, the foregoing resolution was adopted, with 14 voting for and 0 opposed.

Governor

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GENERAL PLAN OF DEVELOPMENT (per paragraph 2 A of Lease)

The general plan of development consists of 2 maps, attached and marked sheets 1 and 2, and the following summary of our plan of business operation.

PLAN OF BUSINESS OPERATION

The Lessee's general plan of development is to establish a recreation-oriented new town on the reservation of Pueblo de Cochiti. The plan provides (as graphically shown on sheets 1. and 2. of Exhibit A) for a series of nucleated Pueblo-type communities and rancho estate areas. The new town is designed to serve the needs of a) people who would make their permanent homes in the new city of Cochiti Lake, b) people who would establish a vacation and/or second home at Cochiti Lake.

It is anticipated that Cochiti Lake residents with permanent homes would be either those employed at Cochiti Lake or within commuting distance in the Albuquerque-Santa Fe region, or individuals or couples who build retirement homes.

In the second category of vacation and/or second homes, a wide range of market is anticipated from the weekend resident (primarily from the Albuquerque-Santa Fe region) to the casual and vacation resident from nearby and distant areas including the east, mid-west, and Pacific Coast areas.

The Lessee proposes to prosecute an aggressive advertising and sales campaign designed to reach broad regions of the United States. Prospective customers will be offered a subleasehold on a lot or parcel for a maximum period of 99 years or such shorter time as may remain under the master lease. A "basic sales price" will be established by the Lessee for each lot or parcel offered to the general public, and a list of such "basic sales prices" will be furnished to the Lessor prior to public sale. This "basic sales price" will represent the price paid for a subleasehold by subleaseholder.

The sublease agreement, a copy of which will be submitted for prior approval to the Lessor, will provide that, in addition to the payment by the subleaseholder of the "basic sales price" together with interest thereon, the subleaseholder will be required to pay a) annual rental for the remaining term of the lease, and b) a contribution or assessment payable to an interest-bearing escrow fund for off-site improvements.

With respect to a) above, Lessee expects that the amount of such annual rental may be modified from time to time and will so provide in each subleasehold. Lessee proposes to construct and operate a substantial complex of recreational facilities for the benefit of all subleaseholders and for the general public, including day-users and other people whose needs the Lessor has agreed to serve in accordance with Lessor's agreement with the Corps of Engineers. The Lessee's plan is that, by virtue of each subleasholder's payment of the annual rental and so long as the subleasholder is not otherwise in default, each subleaseholder will receive an annual recreation privilege card which will entitle the subleaseholder and his immediate family to the full use and enjoyment of all recreational facilities at Cochiti Lake, subject, of course, to detailed rules and regulations covering such use.

With respect to b) above, the off-site improvement fund is designed to provide all funds necessary for the construction and maintenance of off-site improvements during the entire term of the lease. All such funds will be promptly impounded and set aside into an interest-bearing escrow fund when received from each subleasehold. These impound funds will either be administered by a trustee to be designated by both Lessor and Lessee, or by such other arrangement to be agreed upon between Lessee and Lessor before recordation of the first subdivision. The Lessee's master plan will include a suggested mechanics for the operation of this trust fund by a trustee, but, preliminarily, the Lessee proposes that the trustee be a bank or similar financial institution which would administer all trust funds in accordance with specific instructions made by special agreement between Lessor and Lessee.

Furthermore, Lessee proposes that the Lessor and Lessee will at any time have the right to designate a new trustee and terminate the function of a previous trustee. Since it is impractical to project the ultimate total required as a contribution for the construction and maintenance of all off-site improvements for all lots and parcels for the entire term of the lease and subleaseholds, and since, further, it would be uneconomic and imprudent to impound at the beginning of the lease term all funds necessary for 99 years, Lessee plans to require each subleaseholder to pay into the off-site trust or escrow fund 115% of an amount considered sufficient to cover all requirements for off-site improvement for a period of at least 15 to 20 years after the beginning date of this lease. It is presently estimated that such initial assessment will be in the range of $700 - $800. per lot. This initial assessment will be payable by each subleaseholder in monthly instalments concurrent with payments on the "basic sales price". In addition to cash received from subleaseholders on this off-site assessment, an interest-bearing note for the full amount of the above initial assessment will be deposited into the escrow fund. The total of cash plus the balances due on the above notes shall be considered as the amount which, at any given time, has been "funded" as to off-site improvements.

Each subleasehold agreement will provide that at any time, starting with 15 years after the date of each subleasehold, the trustee administering the off-site improvement trust fund, may charge an annual assessment to replenish the said trust fund but with the limitation that any such annual assessment shall not exceed the sum of $25. per year per subleasehold. Lessee will submit an analysis as a part of its master plan submission with a showing that the proposed limitation of $25. per year for the above purpose is consistent with the availability to such trust fund of all monies necessary to carry on off-site improvement work as needed by the actual development of Cochiti Lake.

Furthermore, Lessee agrees that it will advance such funds as may be necessary to create off-site improvements when necessary and at such times as the trust fund may not have sufficient money with which to complete required off-site improvements. For example, it is recognized that the first streets and other off-site improvements which will be installed immediately after recordation of Lessee's first subdivision tract, will require advances by the Lessee and Lessee agrees to make such advances with the understanding that any such advances will be reimbursed in due course by the trustee in accordance with instructions to be filed with such trustee and subject, of course, to the availability of funds in the trust fund at any given time. Any advances made by the Lessee to the trust fund shall bear no interest and the principal only of any advances shall be reimbursable to the Lessee.

The Lessee proposes to sell subleaseholds on the instalment plan. In general, the pattern will be the payment by a prospective sub-leaseholder of a down payment (5% to 10% of the "basic sales price") and the balance of the "basic sales price" payable over a period of approximately 90 months in monthly payments, including interest at the rate of 6% or more. The Lessee intends to require monthly collection from each subleaseholder of the requisite amount payable towards the "basic sales price" together with an aliquot payment to cover the annual rental and contribution or assessment for the off-site improvement trust fund. Quarterly accounting of all sales and collections will be made and submitted by Lessee to Lessor together with any rental payments which may be due from Lessee to Lessor. Such accounting and/or rental payments due to Lessor will be made by Lessee within 30 days after the completion of any quarterly accounting period.

Lessee will maintain a sales and administrative office on the leased premises and will conduct its business in such a manner as agreeable to Lessor. Lessee anticipates the need for the erection of certain sales and directional signs at various points on the Lessor's property and Lessee expects Lessor's reasonable approval for this.

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Lessee's plan of business operation includes the undertaking by Lessee to maximize employment opportunities for members of the Cochiti Pueblo. Such employment opportunities are anticipated in all phases of the development process including, in the first instance, employment opportunities in both the sales and administrative organizational structure to be established by the Lessee. Lessee plans to use its best efforts to create employment opportunities for the Cochiti in all construction phases of the development, both with respect to off-site construction and on-site construction. The master plan, to be later submitted by Lessee, will contain specific recommendations for implementation of this phase of the Lessee's responsibility, including particularly the establishment of training programs designed to prepare members of the Cochiti Pueblo for participation in employment opportunities created in the course of the development of Cochiti Lake.

Finally, Lessee's plan of business operation will include all appropriate actions to fulfill the obligations of the Pueblo de Cochiti to the Corps of Engineers as such obligations are recited in the agreement of November 16, 1965. However, since there has been a substantial delay in the completion of the dam and lake building project by the Corps of Engineers, Lessee plans to negotiate necessary revision of time schedules and other matters with the Corps of Engineers and expects that the Lessor will support its reasonable requests in such direction.

CALIFORNIA CITY DEVELOPMENT COMPANY

BY: N. K. Mendelsohn, President

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