

**LETTER OF INTENT
TO PURCHASE REAL PROPERTY
IN LAWRENCE, DOUGLAS COUNTY, KANSAS**

This Letter of Intent (LOI) is made and entered into this 30th ^{July} ~~August~~, 2014, by and between Hallmark Cards, Incorporated, a Missouri corporation ("Hallmark"), and the City of Lawrence, Kansas, a Kansas municipal corporation ("City"). BOKM

Whereas, Hallmark is the owner of the fee-simple title in and to the real estate situated in Lawrence, Douglas County, Kansas, comprising 47 acres, more or less, more fully described in Exhibit A ("the Real Estate"), which is incorporated herein by reference as if fully set forth;

Whereas, said Real Estate is undeveloped, unencumbered, and has been offered for sale;

Whereas, the City has been searching for real estate in the city of Lawrence, Kansas, for development and use by its Police Department; and

Whereas, the parties desire to enter into this Letter of Intent, to be considered by the City's governing body at its regular public meeting on August 5, 2014, for the purpose of setting forth some of the basic terms and conditions of the proposed purchase by the City of the Real Estate.

1. **Purchase Price.** The recitals set forth above are incorporated herein by reference. The purchase price for the Real Estate shall be Two Million Two-Hundred and Fifty Thousand and 00/100 Dollars (\$2,250,000.00), payable as follows:

a. Option Payment: The City shall pay the escrow agent, Chicago Title Insurance Company, for the benefit of Hallmark, Ten Thousand and 00/100 Dollars (\$10,000.00) within 14 days after the City's Governing Body authorizes the City's Mayor or Vice Mayor, as the case may be, to execute this Letter of Intent as payment for the Option to Purchase the Real Estate. In consideration for the Option Payment, Hallmark agrees to offer to sell the Real Estate to the City for Two Million Two-Hundred and Fifty Thousand and 00/100 Dollars (\$2,250,000.00) and shall hold such offer open until the results of the official canvass of a Special Question Election. The Special Question Election referenced herein shall be held in conjunction with the general election on November 4, 2014, at which time the City will submit to the City electorate the proposition of imposing a special one-quarter of one percent (0.25%) retailers' sales tax in the City to be used solely to pay the cost of financing, constructing, and equipping a Police Facility and related parking and infrastructure improvements. The parties acknowledge time is of the essence. If the official canvass of the Special Question Election shows that the Proposition to impose the special city retailers' sales tax described herein has not passed, then the Option shall end and Hallmark shall be entitled to retain the Option payment.

b. Earnest Money Payment: If the official canvass of the Special Question Election shows that the Proposition to impose the special city retailers' sales tax, described in Paragraph 1.a. above, passed, then the City shall deposit with Chicago Title Insurance Company an additional earnest payment of Fifteen Thousand and 00/100 Dollars (\$15,000.00). Hallmark

shall then immediately deposit with Chicago Title Insurance Company, a general warranty deed to the Real Estate conveying to the City a good and merchantable title, free and clear of all encumbrances, save and except restrictions and easements now of record.

c. If the conditions of the Contract for Sale and Purchase of Real Estate are met and the transaction proceeds to closing, the City shall pay the balance of the purchase price (the sum of Two Million Two Hundred and Twenty-Five Thousand and 00/100 Dollars (\$2,225,000.00)), in bank certified or wire funds at closing.

2. **Conditions.** The Contract for Sale and Purchase of Real Estate to be drafted between the parties shall contain, among other provisions, the following conditions:

a. Approval by the qualified electors of the City of the Proposition to impose a one-quarter of one percent (0.25%) special City retailers' sales tax to be used solely to pay the costs of financing, constructing, and equipping a Police Facility and related parking and infrastructure improvements;

b. Approval of the Contract for Sale and Purchase of Real Estate by the Governing Body of the City at a regular public meeting of the Governing Body after the election results are canvassed and the election results show the Proposition passed;

c. City being satisfied with the results of a title search and survey of the Real Estate, and the Title Company being in a position to issue a policy of title insurance to the City in the full amount of the Purchase Price showing good and marketable title vested in the City subject only to such exceptions to title as have been approved by the City.

d. City being satisfied with the results of its inspections and studies of both the surface and subsurface of the Real Estate and any improvements thereon. In connection therewith, City shall be granted until November 4, 2014, to perform all feasibility and due diligence for the subject Real Estate. The City's feasibility and due diligence may include but shall not be limited to engineering, soil, environmental, and a physical inspection of the Real Estate. Hallmark shall fully cooperate with the City in providing any and all information available regarding the development potential of the Real Estate. City may terminate this Letter of Intent and/or the Contract for Sale at any time prior to November 4, 2014 if the City is not satisfied with the results of the inspections and studies and shall receive a full refund of any deposits.

3. **Closing.** Closing shall occur on or before December 22, 2014, provided the conditions of the Contract for Sale and Purchase of Real Estate are met. If closing does not occur by December 22, 2014, then either party may terminate the Contract for Sale and the City shall receive a full refund of the earnest money paid. If the closing does not occur because the Proposition, referenced in Paragraph 1.a., did not pass, then Hallmark shall be entitled to retain the Ten Thousand Dollars (\$10,000.00) Option Payment.

4. **Hallmark Warranties.** The Contract for Sale shall be subject to the following Hallmark warranties:

a. Authority and Marketable Title. Hallmark, as the owner of the Real Estate, possesses the requisite authority to enter into this Letter of Intent, and to enter into and perform a Contract for Sale of the Real Estate, and has the right to sell, assign, and transfer the Real Estate, including all surface and sub-surface rights, to City at Closing.

b. No pending Litigation or Bankruptcy. There are no actions, suits, or proceedings at law or in equity pending, threatened against, or affecting the Real Estate or by any federal, state, municipal, or other governmental department, commission, board, bureau, agency, or instrumentality.

c. No Outstanding Purchase Option. No option, right of first refusal or other contractual opportunity to purchase the Real Estate has been granted to, or executed with, a third-party that is enforceable against Hallmark and/or the Real Estate giving such third-party a right to purchase an interest in the Real Property.

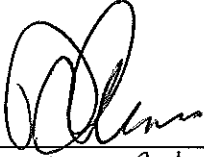
d. Parties in Possession. As of the closing date, there will be no adverse or other parties in possession of the Real Estate or any part thereof, nor has any party been granted any license, lease, or other right or interest relating to the use or possession of the Real Estate, or any part thereof.

5. **Non-binding Letter.** This Letter of Intent does not and is not intended to contractually bind the parties, and is only an expression of the basic conditions to be incorporated into a binding Contract for Sale and Purchase of Real Estate. The parties shall not be contractually bound unless and until they enter into a formal written Option Agreement or Contract for Sale and Purchase of Real Estate, which must in form and content satisfactory to each party and to each party's legal counsel, in their sole discretion.

If the above outline of terms and conditions are acceptable, please indicate by signing below. The parties to this transaction intend that this Letter of Intent be superseded by the Contract for the Sale and Purchase of Real Property. In the meantime, the parties agree to proceed in accordance with the terms and conditions outlined herein. Hallmark understands the purpose of this Letter of Intent is to allow further investigation by both parties during the contract negotiation period. If the Contract for Sale and Purchase of Real Estate is not mutually executed for any reason whatsoever or no reason at all, this Letter of Intent shall expire and no party shall have any further rights or duties hereunder. Hallmark shall not solicit other offers during the period it negotiates the Contract for Sale and Purchase of Real Estate with the City.

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HALLMARK CARDS, INC.



By: William P. Lucas

(Title) Executive Vice President, Real Estate

CITY OF LAWRENCE, KANSAS

Mike Amyx, Mayor

ATTEST:

Diane Trybom, Acting City Clerk

EXHIBIT A

LEGAL DESCRIPTION

25-12-19 BEG AT PT ON SEC LINE 793.42 FT E OF NW COR SEC 25 (E R/W LINE LAWRENCE ACCESS RD TO KTA) TH E 368.6 FT TH S 12 DEG 23" W 134.68 FT TH SWLY & 360 FT ELY OF E R/W LINE LAWRENCE ACCESS RD KTA ON CHORD BEARING S 06 DEG 16" W 308.12 FT TH S 0 DEG 05" W 957.39 FT TH ON CHORD BEARING S 05 DEG 14" W 379.38 FT TO PT 360 FT ELY SD R/W LINE TH W 45 FT TH S 0 DEG 31" E 260 FT TO S LINE OF N 21 1/2 A OF SW 1/4 NW 1/4 SD SEC 25 TH W ALONG SDS LINE 378.83 FT TO E R/W LINE LAWRENCE ACCESS RD TO KTA TH NELY ALONG E R/W LINE SD ACCESS RD 2032.78 FT TO PT BEG, LESS BEG AT PT ON E R/W LINE KTA ACCESS RD 739.51 FT E & 1320.4 FT S OF NW COR 25-12-19 TH E 360 FT TO PT 1099.51 FT E & 1320.4 FT S SD NW SEC COR TH S 0 DEG 05" W 74.82 FT TH SWLY ON CHORD 2354.86 FOOT RADIUS S 05 DEG 14" W 379.38 FT TH W 45 FT TH S 0 DEG 31" E 260 FT TO S LINE OF N 21.5 A SW 1/4 NW 1/4 SD SEC TH W ALONG SD LINE 378.83 FT TO E R/W LINE KTA ACCESS RD TH NELY ALONG E R/W LINE SD ACCESS RD ALONG ARC OF 1994.86 FOOT RADIUS TO PT 739.51 FT E & 1395.22 FT S OF NW COR SD SEC TH N 74.82 FT TO PT BEG D 247/436; ALSO BEG AT PT ON SEC LINE 1162.02 FT E NW COR 25-12-19 TH S 12 DEG 23" W 134.68 FT TH SWLY & 360 FT ELY OF E R/W LINE OF LAWRENCE ACCESS RD OF KTA ON CHORD BEARING S 06 DEG 16" W 308.12 FT TH S 0 DEG 05" W 957.39 FT TH ON CHORD BEARING S 05 DEG 14" W 379.38 FT TO PT 360 FT ELY SD R/W LINE & 260 FT N OF S LINE N 21 1/2 A SW 1/4 NW 1/4 25-12-19 TH E 255 FT TO E LINE SD SW 1/4 NW 1/4 SD SEC 25 TH N TO S LINE N 1/2 NW 1/4 SD SEC TH E ON SD LINE TO SE COR OF W 53 1/3 A OF N 1/2 NW 1/4 SD SEC TH N TO N SEC LINE SEC 25 TH W ON SD SEC LINE TO PT BEG; ALSO COM AT SE COR OF N 21 1/2 A OF SW 1/4 NW 1/4 25-12-19 TH W 300 FT TH N 260 FT TH E 300 FT TH S 260 FT TO PT BEG, LESS W 45 FT THEREOF D 338/1712 33.871 A ((U14274, 274A, 319 & 323 COMBINED 1988))

24-12-19 W 26 2/3 A OF S 40 A OF SW 1/4, LESS TR #32-22 8.43 A D 193/538 FOR KTA R/W LAWRENCE ACCESS RD & LESS 5.18 A TO MULTI-ART CORP D 198/65 13.06 A (U14308 & 11 COMBINED 1988)