### **GROUND LEASE AGREEMENT**

THIS GROUND LEASE AGREEMENT is made this 200 day of December, 2018, by and between the City of Lawrence, Kansas, a municipal corporation, and Hetrick Air Services, Inc., a Kansas corporation.

### RECITALS

- A. The City of Lawrence, Kansas, a municipal corporation ("City"), holds various property interests throughout the City, including that real property commonly known as Lawrence Municipal Airport ("LWC"), located at 1930 Airport Road, Lawrence, Douglas County, Kansas.
- **B.** Hetrick Air Services, Inc., a Kansas corporation ("Hetrick"), pursuant to a separate agreement with the City, operates as a fixed-base operator ("FBO") at LWC.
- C. Hetrick is in the process of expanding its operations as FBO at LWC and, in accordance with those wishes, seeks to lease from the City certain real property ("Leased Property"), located at LWC for the construction of certain Facilities for use in its operations, the legal description of which is set forth in Section 1, *infra* (a map showing the location of the Leased Property is affixed hereto as Exhibit A and is incorporated herein by reference as if set forth in full).
- **D.** The expansion of Hetrick's operations at LWC will benefit the City, LWC, users of LWC, and the residents of the City.
- **E.** Accordingly, the City and Hetrick wish to enter into a ground lease agreement, governing the construction and location of Hetrick's Facilities on City property, all as described in more detail herein.
- **F.** The City and Hetrick agree that the lease of the Leased Property is contingent, *inter alia*, upon the execution of this Ground Lease Agreement ("Agreement") and compliance with its terms.

**NOW, THEREFORE,** in light of the mutual promises and obligations contained herein, and in exchange for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties agree as follows:

#### **TERMS**

- **1. Leased Property.** The property interests hereby leased by the City to Hetrick shall include the following:
  - (a) The Leased Property, which encompasses approximately 70,800 square feet of City real property located at LWC (see Exhibit A) and bears the following legal description, to-wit:

Lot 1, Block 2 of Lawrence Municipal Airport Addition No. 2, a subdivision in the City of Lawrence, Douglas County, Kansas.

- (b) Non-exclusive licenses under and through LWC, with the prior approval of the City, sufficient for the location, installation, and maintenance of underground natural gas lines, utilities, and other facilities.
- (d) Non-exclusive licenses across the LWC for access (the "Access Licenses") to the Leased Property all in accordance with the terms of the Fixed-Base Operator Agreement, executed the same date as this Agreement.

# 2. <u>Rent</u>.

- (a) Initial Term. Except as provided in subsection 2(c), *infra*, Hetrick hereby agrees that, in exchange for use of the Leased Property and Access Licenses and other good and valuable consideration, Hetrick agrees to pay to the City, during the Initial Term of this Agreement, Rent, on a monthly basis (each Year shall commence at 12:00 a.m. on January 1 and end at 11:59 p.m. on December 31 of that year), the sum of **Eight Hundred Fifty Dollars and No Cents (\$850.00)**, which amount was established by appraisal of the fair market value of the Leased Property.
- **Option Terms.** Hetrick hereby agrees to pay to the City, during any Option Term of this Agreement, on a monthly basis (each Year shall commence at 12:00 a.m. on January 1 and end at 11:59 p.m. on December 31 of that year), a sum equal to the Rent paid during the previous Term plus 2.5% **or** the appraised fair market value of the land as of the end of the previous Term, whichever amount is lower. If the land is appraised, it shall be appraised at the expense of Hetrick.
- (c) Commencement of Rent Payments. Notwithstanding any provision to the contrary, Rent payments during the Initial Term of the Agreement shall not commence until the first day of the month following the issuance of a Certificate of Occupancy for any Facilities built on the Leased Property.

**Term.** The Initial Term of this Agreement shall be five (5) years, commencing at 12:00 a.m. on January 1, 2019, and terminating at 11:59 p.m. on December 31, 2023, unless this Agreement is otherwise terminated earlier or extended beyond that time and date.

# 4. Option Terms.

- (a) Hetrick shall have the option to extend the Initial Term of this Agreement for five (5) additional and successive five-year terms (individually, "the Option Term" and, collectively, "the Option Terms"). The Agreement shall, at the end of the Initial Term or any Option Term, unless it is the fifth Option Term, automatically be extended an additional Option Term, unless, at least one hundred eighty (180) days prior to the termination of the then-current Term, Hetrick notifies the City of its intent to terminate this Agreement or unless either party notifies the other of its intent to renegotiate this Agreement. If the parties renegotiate this Agreement, then an amendment will be prepared and executed by the parties; but if they are unable to reach an agreement on renegotiation, then the terms of this Agreement will remain unchanged. Option Terms shall be deemed a continuation of this Agreement and shall not be considered a new Agreement or an amendment hereto.
- **(b)** The Term of this Agreement shall, in no event, extend beyond December 31, 2048.

# 5. <u>Use</u>.

- (a) Hetrick may use the Leased Property to survey, construct, install, maintain, inspect, operate, alter, add pipes, repair, and remove, on, under and over said Leased Property, one or more hangars or other structure ("Facilities") the use of which shall be restricted solely to aviation purposes related to Hetrick's operations as FBO at LWC.
- (b) Hetrick agrees that all earth, turf, shrubbery, trees, sidewalks, paving, fences, public improvements, or improvements of any kind, that are either damaged or removed by Hetrick, its contractors, subcontractors, or agents, during the installation, repair, maintenance, and/or replacement of the Facilities or any other use of the Leased Property shall be fully repaired or replaced within a reasonable time by Hetrick at Hetrick's sole cost and expense and to the reasonable satisfaction of the City.

### 6. Construction.

- (a) Prior to commencing any construction, Hetrick shall submit all plans and specifications for all improvements to the City and receive the City's written approval, which approval shall not unreasonably be withheld or delayed. Also, prior to commencing construction, Hetrick must obtain all permits (including building permits) required by federal, state, or local law. No improvement, construction, installation, replacement, or major modification shall commence until plans for such work have been reasonably approved by the City, the City has given written consent thereto, and Hetrick has procured all necessary governmental approvals therefor.
- (b) Plans submitted by Hetrick to the City shall include: fully dimensioned site plans that are drawn to scale and show (i) the proposed location and depth of the Facilities, (ii) the proposed clearing and landscaping, and (iii) any other details that the City may request. Hetrick construction shall conform to the plans and specifications submitted to the City.
- (c) Additionally, prior to commencement of construction, Hetrick shall provide to the City the name of the contractor, if any, that will be overseeing the construction of the improvements. All improvements shall be constructed in a workmanlike manner, without the attachment of any liens to the Leased Property, and shall be completed in compliance with all applicable laws, ordinances, rules, and regulations.
- (d) No improvements or major modifications to the Leased Property shall be made without the City's written consent. Such written consent shall not unreasonably be withheld or delayed by the City.
- **7.** <u>Liens.</u> Hetrick shall not allow any mechanic's or materialmen's liens to be placed on the Leased Property as the result of its activities on the Leased Property.

### 8. <u>Taxes</u>.

- (a) In accordance with Section 7 of the Fixed Based Operator Agreement, Hetrick shall pay any and all personal property taxes, if any, assessed against its Facilities located on the Leased Property as a result of Hetrick's use or ownership of the Facilities.
- (b) The City shall provide to Hetrick a copy of any notice, assessment, or billing relating to real estate taxes, for which Hetrick is responsible under this Agreement, upon receipt of the same. Hetrick shall have no obligation to make payment of any real estate taxes until Hetrick has received the notice, assessment, or billing relating to such taxes as provided in the preceding

sentence. Should any such taxes or assessments be levied or assessed directly against the City and be paid by the City, Hetrick shall reimburse the City for the full amount thereof within thirty (30) days of receipt of the City's notice to Hetrick of its payment of such taxes or assessments.

- (c) Hetrick shall have the right, at its sole option and its sole cost and expense, to appeal, challenge, or seek modification of any tax assessment or billing for which Hetrick is responsible for payment under this Agreement. The City shall reasonably cooperate with Hetrick in filing, prosecuting, and perfecting any such appeal or challenge to such taxes as provided in the preceding sentence, including but not limited to executing any consent to appeal or other similar documents.
- (d) Failure by Hetrick to pay any taxes or assessments within thirty (30) days after the City has given written notice of the same, shall be a default under this Agreement.
- **9.** <u>Utilities</u>. In accordance with Section 8 of the Fixed Based Operator Agreement, Hetrick shall be responsible for all utilities serving its Facilities on the Leased Property.

## 10. <u>Hazardous Materials</u>.

- (a) The City acknowledges that, in its operation as FBO and use of the Facilities on the Leased Property, Hetrick will use hazardous materials. Hetrick agrees that it will not store on the Leased Property or use on the Leased Property any hazardous material not related to aviation or its operations as FBO at LWC and that in using said hazardous material it will not use such or dispose of such in violation of federal, state, or local law.
- (b) Hetrick agrees to indemnify, defend, and hold harmless the City, its subsidiaries, affiliates, successors and assigns and their respective officials, officers, employees, representatives, and agents from and against any and all loss which may be imposed upon or incurred by the City arising out of, relating to, or resulting from environmental conditions of the Leased Property, arising out of, relating to, or resulting from: (i) a violation of Environmental Law; (ii) an unauthorized release of hazardous materials; (iii) the off-site disposal of hazardous materials; or (iv) third party personal injury, death, or property damage, including toxic torts, which are caused by Hetrick after January 1, 2019.

- 11. <u>Casualty</u>. If any portion of the Leased Property is damaged by any casualty and such damage adversely affects Hetrick's use of or access to the Leased Property, then Hetrick may terminate this Lease as of the date of the casualty, provided that Hetrick gives written notice of the same within thirty (30) days after the occurrence of such casualty.
- Property and in as good repair as required by all federal, state, and local laws. However, nothing in this Agreement shall be construed or interpreted as creating a guarantee or warranty enforceable against the City that the Leased Property of will remain suitable for Hetrick's use.
- **13. Insurance.** In accordance with Section 15 of the Fixed Base Operator Agreement, Hetrick shall insure its Facilities located on the Leased Property.

## 14. Indemnification.

- During the time that this Agreement is in effect, Hetrick agrees to indemnify, defend, save, and hold harmless the City, its officers, trustees, agents, employees, grantees, and assigns, from and against all claims, actions, liabilities, damages, costs, expenses, and judgments, including attorneys' fees, which relate to, arise out of, or are in any way related to Hetrick's use of the Leased Property or any portion thereof or the maintenance thereof, on account of any injury to persons or damage to property. This indemnification clause shall not apply to any injury or damage caused by the City's own negligent, reckless, or willful actions, or that of its agents.
- (b) During the time that this Agreement is in effect, the City agrees to indemnify, defend, save, and hold harmless the Hetrick, its officers, trustees, agents, employees, grantees, and assigns, from and against all claims, actions, liabilities, damages, costs, expenses, and judgments, including attorneys' fees, which relate to, arise out of, or are in any way related to the City's operation of LWC, or any portion thereof or the maintenance thereof, on account of any injury to persons or damage to property. This indemnification clause shall not apply to any injury or damage caused by the Hetrick's own negligent, reckless, or willful actions, or that of its agents.
- **Signs.** Any sign attached to the Leased Property must be approved, in writing, by the City before the same can be installed. However, consent will not be unreasonably withheld if such sign does not impair LWC, complies with the City Code, and is not either offensive or inappropriate, as determined at the sole discretion of the City. The City shall have the sole right of approval for any sign proposed to be installed by Hetrick on the Leased Property.

- **Default.** If either Hetrick or the City fails to perform or observe any material term, covenant, provision, or condition of this Agreement, then that party will be in default under this Agreement. In the case of default, the other party shall send to the party in default a written Notice of Default, setting forth, with particularity, the nature of the complained of default.
- **Right to Cure.** From the date of written Notice of Default from the City for the failure to pay Rent, Hetrick shall have five (5) days to cure the default. In all other cases, from the date of the written Notice of Default, the party in default shall have thirty (30) days to cure any default.
- **18. Failure to Cure.** If the party in default fails to cure the default in the time prescribed above, then the other party shall have the right, by giving written notice, to terminate this Agreement and may, at its discretion, pursue any other remedies described in this Agreement or that may be available to it at law or in equity and which are not otherwise proscribed by the terms of this Agreement. If the City terminates this Agreement for Hetrick's failure to cure, then the City shall retain any Rent that Hetrick has paid that month. If Hetrick terminates this Agreement for the City's failure to cure a default, Hetrick shall be entitled to a refund from the City all Rent paid after the date of default.
- 19. Termination and Removal of Hetrick's Facilities and Property. Upon the expiration or termination of this Lease, Hetrick shall quit and surrender the Leased Property to the City. All Facilities and improvements constructed by Hetrick, or at its direction, shall be and become part of the property of the City, except the Facilities, equipment, and business and trade fixtures constructed or installed by Hetrick, or at its direction, that are not so affixed to the Leased Property as to damage the Leased Property upon removal in such a way that the damage cannot be repaired by Hetrick.

# 20. <u>Subordinate to Agreement with United States</u>.

- (a) This Agreement shall be subordinate to the provisions of any agreement between the City and the United States relative to the operation, maintenance, or development of LWC.
- (b) During time of war or other national emergency, nothing in this Agreement shall prohibit the City from entering into an agreement with the United States for civil, military, or other uses of LWC. If any such agreement is executed, then the terms and conditions of this Agreement, insofar as they are inconsistent with such agreement with the United States, shall be suspended. In such case, Hetrick shall have the option to terminate this Agreement upon 30-days' written notice.

- **21.** Adherence to Laws. Hetrick agrees to observe and obey, during the Term and any Option Term of this Agreement, all statutes, ordinances, rules, and regulations enacted or promulgated by the United States, the State of Kansas, or the City applicable to Hetrick's operations as FBO at LWC.
- **Quiet Possession.** The City covenants that, except as otherwise provided herein, Hetrick, on paying the Rent and performing its obligations hereunder, shall and may peaceably and quietly have, hold, and enjoy the Leased Property during the term of this Lease, free from any disturbance by the City, its agents or employees, or others acting within the control of the City. However, for the reasons of security and safety, the City reserves the right to enter the Leased Property at any reasonable time to make any inspection that it deems expedient.

# 23. Force Majeure.

- (a) A "Force Majeure Event" is any event or cause beyond the reasonable control of the party claiming relief, including any action by or omission of a governmental agency (not Hetrick) or authority, material shortages, third-party labor disputes, epidemic, war, riot, civil disturbance, act of public enemy or enemies, terrorist act, sabotage, any act of God, or any damage as a result of fire, floods, earthquakes, lightning, or other casualty.
- (b) Neither the City nor Hetrick will be considered in default under this Agreement if such party's performance is delayed by virtue of a Force Majeure Event. Upon the occurrence of such event, the parties agree to confer in good faith and to agree upon an equitable, reasonable action to continue performance under this Lease, provided, however, that the Rent payable by Hetrick to the City shall abate for any period during which Hetrick's use of the Leased Property is limited as a result of a Force Majeure Event. The City and Hetrick will use reasonable efforts to minimize the delay caused by any Force Majeure Event and to resume performance when possible, the City will be solely responsible for all repairs and reconstruction—which repairs and reconstruction will be at its discretion—of the Leased Property, or any part thereof, following a Force Majeure Event.
- (c) In the event that a *Force Majeure* Event prevents either party from performing under the Agreement for a period of 180 days, then either party, upon written notice to the other, may terminate this Agreement. In such event, the City shall pay to Hetrick a pro-rated share of any Rent paid by Hetrick for the month in which the *Force Majeure* Event occurred. Upon such termination and the refund of any Rent, if any, all parties will be relieved of performance under this Agreement, except that a party will continue to be liable for any breaches that occurred and were not cured prior to termination.

# 24. Waiver of Subrogation.

- (a) The City hereby waives any and all rights of subrogation against Hetrick, its agents, servants, and employees, for any damage caused to the property of City located in and upon the Leased Property, by reason of City's negligence, the same as though the City insured its property by a standard form policy of fire and extended coverage insurance, rather than being a self-insurer of its property.
- (b) Hetrick hereby waives any and all rights of subrogation against the City, its officials, officers, agents, servants, and employees, for any damage caused to the property of Hetrick by reason of Hetrick's negligence, and Hetrick shall cause said waiver of subrogation rights to be endorsed upon the policy or policies of standard form fire and extended coverage insurance written to insure the City's said property, unless said policy(ies) do not require such endorsement.

# 25. Limitation of Liability.

- (a) Neither party shall be liable to the other for lost profits or special, incidental, collateral, punitive, exemplary, or consequential damages, including but not limited to frustration of economic or business expectations, loss of profits, loss of capital, cost of substitute product(s), facilities, or services, or down time costs, even if advised of the possibility of such damages. Further, the liability of one party to the other for damages under this Agreement, excluding liabilities relating to a party's indemnification obligations as set forth in Section 15, *supra*, or any other damages permitted under this Lease, is limited to the total amount payable by Hetrick to the City under this Agreement to which the dispute relates.
- (b) The City shall not be liable to Hetrick or those claiming by, through, or under Hetrick, for any loss or damage occasioned by the acts, omission, or negligence of the legal occupants of LWC, outside the Leased Property, or for any loss or damage resulting to Hetrick or those claiming by, through, or under Hetrick, to its property from the bursting, stoppage, leaking or overflowing or water, gas, sewer, or steam pipes, or any of its related costs; provided, however, that the City shall be responsible for any loss or damage to Hetrick caused by the City's intentional acts, omissions, or negligence.

### 26. Assignment.

(a) Hetrick shall not assign, transfer, or encumber this Agreement and shall not sublease a majority of the Leased Property to a third party or allow any third party to be in possession of a majority thereof without the prior written

consent of the City, which consent shall not unreasonably be withheld. Notwithstanding the foregoing, nothing herein shall prohibit Hetrick from mortgaging its property or Facilities or from assigning the rents derived from its property or Facilities for the purposes of financing the construction or expansion of its Facilities.

- (b) Notwithstanding any permitted assignment or subletting, Hetrick shall, at all times during the Term of this Lease, be responsible and liable for the payment of Rent as herein specified and for compliance with all of its other obligations under the terms and provisions of this Agreement.
- **27. Authorization.** Each of the persons executing this Lease, in behalf of the respective parties, represents and warrants that he or she has the authority to bind the party in behalf of whom he or she has executed this Lease, and that all acts required and necessary for authorization to enter into and to execute this Agreement have been completed.
- **Notice**. Notice under this Agreement shall be provided in writing to the parties at the following addresses:
  - (a) Notice to the City:
    City of Lawrence, Kansas
    City Manager's Office
    6 East 6th Street
    P.O. Box 768
    Lawrence, Kansas 66044

With a copy to:
City Attorney's Office
6 East 6th Street
P.O. Box 768
Lawrence, Kansas 66044

- (b) Notice to Hetrick:
  Hetrick Air Services, Inc.
  1930 Airport Road
  Lawrence, Kansas 66044
- **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties, their respective heirs, personal representatives, successors, and assigns.

- **Non-waiver.** Failure of either party to insist on strict performance of any of the conditions, covenants, terms, or provisions of this Agreement or to exercise any of its rights hereunder shall not waive such rights, but the party shall have the right to enforce such rights at any time and to take such action as might be lawful or authorized hereunder, whether in law or equity.
- **31. Severability.** If any section, sentence, clause, or phrase of this Agreement is found to be invalid by any court of competent jurisdiction, it shall not affect the validity of any remaining provision of this Agreement.
- **Yenue.** The parties agree that the appropriate venues for any legal actions arising out of this Agreement are the District Court of Douglas County, Kansas, or, if federal jurisdiction exists, the United States District Court for the District of Kansas.
- **33. Governing Law.** This Agreement shall be governed by the laws of the State of Kansas.

### 34. Miscellaneous.

- (a) This Agreement supersedes all prior discussions and negotiations and contains all agreements and understandings between the City and Hetrick with respect to the subject matter hereof. This Agreement may only be amended by a writing signed by all parties.
- (b) The provisions of the Agreement relating to indemnification shall survive any termination or expiration of this Agreement. Any provision of this Agreement that would require performance subsequent to the termination or expiration of this Agreement shall likewise survive any such termination or expiration.
- (c) This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature pages from one (1) or more counterparts may be removed from such counterparts and such signature pages all attached to a single instrument.
- **(d)** The recitals are incorporated herein by reference as if set forth herein in full.

# [SIGNATURE PAGES FOLLOW]

**IN WITNESS WHEREOF,** the undersigned have caused this Ground Lease Agreement to be executed as of the date noted above.

CITY:
CITY OF LAWRENCE, KANSAS, a
municipal corporation

THOMÁS M. MARKUS

City Manager

# **ACKNOWLEDGMENT**

THE STATE OF KANSAS	)	
	)	SS:
THE COUNTY OF DOUGLAS	)	

BE IT REMEMBERED, that on this \_\_\_\_ day of December, 2018, before me the undersigned, a notary public in and for the County and State aforesaid, came Thomas M. Markus, as City Manager of the City of Lawrence, Kansas, who is personally known to me to be the same person who executed this instrument in writing, and said person fully acknowledged this instrument to be the act and deed of the aforementioned entity.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my notarial seal, the day and year last written above.

Notary Public

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My Appointment Expires:

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**HETRICK AIR SERVICES, INC., a Kansas corporation** 

LLOYD A. HETRICK

President

# **ACKNOWLEDGMENT**

THE STATE OF KANSAS	)	
	)	SS
THE COUNTY OF DOUGLAS	)	

**BE IT REMEMBERED**, that on this <u>49</u> day of November, 2018, before me the undersigned, a notary public in and for the County and State aforesaid, came Lloyd A. Hetrick, as President of Hetrick Air Services, Inc., a Kansas corporation, who is personally known to me to be the same person who executed this instrument in writing, and said person fully acknowledged this instrument to be the act and deed of the aforementioned entity.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my notarial seal, the day and year last written above.

Notary Public

My Appointment Expires:

JANICE K TURNER
My Appointment Expires
April 18, 2020

