

LEASE AGREEMENT

Whereas, the Lawrence Arts Center, Inc. has occupied and used that City of Lawrence owned facility known as the Carnegie Library building located at 9th and Vermont since 1974; and

Whereas, the City of Lawrence and the Lawrence Arts Center, Inc. are desirous of relocating the Arts Center to a new facility to be built in the 900 block of New Hampshire; and

Whereas, the City of Lawrence and the Lawrence Arts Center, Inc. have adopted a joint resolution of responsibility for the construction and maintenance of the facility, Resolution No. 5958, dated January 13, 1998, which is attached to this Agreement as Exhibit "A"; and

Whereas, the City of Lawrence and the Lawrence Arts Center, Inc. are desirous of executing a lease agreement to govern the relationship between the City and the Arts Center concerning the new facility;

NOW, THEREFORE, THIS LEASE AGREEMENT, is made and entered into this 28th day of November, 2000, by and between the City of Lawrence, Kansas, a Municipal Corporation, hereinafter referred to as "Lessor," and the Lawrence Arts Center, Inc., d/b/a Lawrence Arts Center, hereinafter referred to as "Lessee."

WITNESSETH, that the Lessor, hereby leases to Lessee, subject to the conditions hereinafter contained, a building to be built on City Lots 80, 82, 84, and 86 on New Hampshire Street, Lawrence, Douglas County, Kansas, hereinafter referred to as the "premises."

1. **TERM.** The term of this lease shall be for ten (10) years commencing on the mutually agreed upon date the Lessee first occupies the premises and terminating on the anniversary of that date ten (10) years later. Lessee shall have the right to renew this lease for three (3) consecutive ten-year periods pursuant to paragraph 17 of this lease agreement. Lessor and Lessee understand and agree that at the conclusion of the initial term of this lease and any renewal or extension thereof, Lessor and Lessee may make reasonable and mutually agreed upon modifications to the terms of this lease agreement. Lessor and Lessee further agree that at no time shall Lessee be required to pay rent for occupying the premises.
2. **COMPENSATION AND LESSEE PAYMENTS FOR THE CONSTRUCTION OF THE BUILDING ON THE PREMISES.** The Lessee shall have no obligation to pay the Lessor rent for occupying the premises. The Lessee shall have the obligation of paying to the City of Lawrence, Kansas the total sum of Three Million Dollars (\$3,000,000.00) plus the debt financing interest and debt financing issuance costs specified

below for the real property acquisition, architectural design, construction, and furnishing of the new building to be built on the premises. The Lessor and the Lessee acknowledge that the total cost for the real property acquisition, architectural design, construction, and furnishing is estimated to be approximately Seven Million Three Hundred and Fifty Thousand Dollars (\$7,350,000.00). The Lessor is responsible for the remaining costs not otherwise paid by the Lessee. The Lessee shall pay the total sum of Three Million Dollars (\$3,000,000.00) plus the debt financing interest and debt financing issuance costs specified below to the City. The parties acknowledge that at the time of the execution of this lease or by December 31, 2000, the Lessee has paid or is paying only the sum of One Million, Seven Hundred Sixty-One Thousand, Eight Hundred and Fifty and 71/100 Dollars (\$1,761,850.71), and that the Lessee is obligated to pay to the City of Lawrence the remaining sum of One Million, Two Hundred Thirty-Eight Thousand, One Hundred Forty-Nine and 29/100 Dollars (\$1,238,149.29), plus all associated City debt financing interest and City debt financing issuance costs associated with the City's temporary financing of this amount. The Lessee shall pay to the City of Lawrence the remaining sum of One Million, Two Hundred Thirty-Eight Thousand, One Hundred Forty-Nine and 29/100 Dollars (\$1,238,149.29), plus all associated City debt financing interest and City debt financing issuance costs not later than September 1, 2003.

Interest Payments: On the first day of March and the first day of September of the years 2001, 2002, and 2003, the Lessee shall make interest payments to the City of Lawrence.

The failure of the Lessee to pay all costs required by this Section shall make this Lease Agreement voidable by the Lessor upon the affirmative vote of a majority of the governing body of the City of Lawrence, Kansas, and the Lessee shall have no further rights or interests in this Agreement or in the premises.

3. **USE OF PREMISES.** Lessee shall use the lease premises solely for the purpose of operating the facility as a not-for-profit educational, fine arts, and performing arts facility open to the general public under the provisions of this lease and the rules and regulations adopted by the Board of Directors of the Lawrence Arts Center, Inc.
4. **INSURANCE.**
 - a. Fire and Casualty. At all times during the term of this Lease Agreement, Lessor shall, at its expense, maintain fire and casualty insurance on the premises in such amounts and on such terms and conditions as the Lessor deems appropriate.

- b. General Liability, Property Damage, and Workers' Compensation Insurance. At all times during the term of this Lease Agreement, and during any use, occupancy, or possession of the premises before such term commences, Lessee shall, at its expense, maintain comprehensive general liability insurance protecting and indemnifying the Lessor against any and all claims and liabilities for injury or damage to persons or property or for the loss of life or property occurring upon, in or about the premises caused by or resulting from any act or omission of the Lessee, its employees, agents, contractors, guests, licensees, and invitees. Such insurance shall provide for coverage of not less than \$ 500,000.00 for injury or death to any one person, and not less than \$ 1,000,000.00 for injury or death occurring to more than one person as a result of one accident, and not less than \$100,000.00 for property damage. Lessee further shall, at its expense, take out and maintain at all times all necessary workers' compensation insurance covering all persons employed by Lessee in and about the premises.

Before Lessee's use, occupancy, or possession of the premises, Lessee shall obtain all such insurance and deliver to the Lessor policies of such insurance, or certificates evidencing the issuance of such policies, during the initial terms of such insurance and all renewals thereof.

All insurance required hereunder shall name as an additional insured, the Lessor, its employees and agents.

All insurance required hereunder shall be effected under valid and enforceable policies issued by insurers of recognized responsibility authorized to do business in the State of Kansas, and shall contain a provision whereby the insurer agrees not to cancel the insurance without ten (10) days prior written notice to the Lessor.

5. **DAMAGE BY FIRE OR OTHER CASUALTY.** The Lessee shall not be required to repair or replace the premises in the event of damage thereto or destruction thereof by fire, the elements, accident or other casualty. The Lessor shall not be liable for any inconvenience or annoyance to Lessee or injury to the operations of Lessee resulting in any way from damage from fire or other casualty or the repair thereof. The Lessor may repair or replace the premises with any available insurance proceeds. Should the Lessor decide to repair or replace the premises, the Lessor shall not be required to expend more on the repair or replacement of the premises than the insurance proceeds received. Lessee understands that the Lessor will not carry insurance of any kind on Lessee's furniture, furnishings, moveable fixtures, equipment, including office, theatre, and artistic equipment, works of art, musical instruments, or any other property of any kind or nature, and that the Lessor shall not be obligated to repair any damage thereto or replace the same.

6. **INDEMNIFICATION.** The Lessee shall hold Lessor, its agents, officials, and employees free and harmless, and shall indemnify Lessor from loss from each and every suit, liability, expense, damage or claim, or demand of whatever nature, made on behalf of or by any person or persons, for any wrongful act or omission on the part of the Lessee, its employees, agents, officials, contractors, guests, licensees, and invitees. Lessor shall hold Lessee, its agents, officials, and employees free and harmless, and shall indemnify Lessee from loss from each and every suit, liability, expense, damage or claim, or demand of whatever nature, made on behalf of or by any person or persons, for any wrongful act or omission on the part of the Lessor, its employees, agents, and officials.
7. **DISCRIMINATION PROHIBITED.** The Lessee shall not unlawfully discriminate in offering its goods, services, facilities, educational programs or artistic activities to any person because of race, sex, religion, color, national origin, age, ancestry, sexual orientation or disability. The Lessee shall not engage in any unlawful employment practices on the basis of race, sex, religion, color, national origin, age, ancestry, sexual orientation, or disability.
8. **MEMBERSHIP FEES OR OTHER REQUIREMENTS.** The Lessee shall not require a membership fee or other membership requirement in order for any citizen of Lawrence, Kansas to use and enjoy the educational programs or artistic activities conducted on the premises, however, the Lessee may charge and require admittance or program fees from all participants and attendees.
9. **UTILITIES.** Lessor shall pay or cause to be paid all water charges, sewer charges, sanitation charges, storm water utility fees, and all charges based on use or consumption of gas, electricity and like utilities used or consumed in or upon the leased premises.
10. **TELEPHONE SERVICES.** Lessee shall contract for, in its own name, and shall pay for all telephone services rendered or furnished to the premises.
11. **MAINTENANCE OF ROOF AND STRUCTURE PORTIONS OF BUILDING, HEATING, VENTILATION, AND AIR CONDITIONING (HVAC) SYSTEMS AND ELEVATOR.** Lessor shall keep and maintain the roof and structure portions of the building, the heating, ventilation and air conditioning (HVAC) systems, and the elevator except that Lessee shall promptly repair any damage caused thereto by its act or negligence or that of its employees, agents, invitees, licensees, or contractors.

12. **LANDSCAPING, LAWN MAINTENANCE AND SNOW REMOVAL.** Lessor, at its expense, shall provide and maintain landscaping on the premises. Lessor shall be responsible for cutting and trimming of the lawn, shrubbery and other basic grounds care deemed necessary by the Lessor. Lessor, at its expense, shall further provide snow removal from the premises' adjoining sidewalks.
13. **INTERIOR MAINTENANCE.** Lessee shall keep the premises, including all interior fixtures, (plumbing fixtures included), in good order and condition (except for ordinary wear and tear or damage caused by casualty) and shall make all repairs and take all other actions necessary or appropriate to keep and maintain the premises and interior fixtures, including plumbing fixtures, in good order and condition. Lessee shall maintain and clean all windows of the building. Lessor will not be liable for any labor, services or materials furnished or to be furnished to the Lessee for the repair and maintenance of the interior of the premises. Lessee shall, at its expense, arrange for the daily janitorial, maintenance and/or service of the interior of the premises.
14. **INTERIOR MOVEABLE FIXTURES AND EQUIPMENT.** Lessor and Lessee agree that the project budget stated in paragraph 2 of this lease agreement includes \$250,000.00 for furnishings, the purchase of which shall be agreed to by Lessor and Lessee. Lessee shall be responsible for obtaining Lessee's additional furniture, furnishings, moveable fixtures, works of art, musical instruments, equipment, including office, theatre and artistic equipment, supplies, or any other property of any kind or nature. Lessee shall further be responsible for maintaining and insuring Lessee's furniture, furnishings, moveable fixtures, works of art, musical instruments, equipment, including office, theatre, and artistic equipment, and supplies.
15. **ALTERATIONS AND IMPROVEMENTS.** Lessee shall make no structural alterations, additions, or improvements to the premises without the written consent of the Lessor. Lessee may make cosmetic alterations to the interior of the premises (i.e. paint, wallpaper and shelving) without the Lessor's written consent. All alterations, additions, and improvements made by the Lessee shall become the property of the Lessor on the termination of the lease. The Lessor shall have the right to require the Lessee to remove all alterations, fixtures, and improvements, at the Lessee's cost, upon termination of the lease.
16. **INSPECTIONS.** Lessor reserves the right to enter upon the leased premises at any reasonable time for the purpose of making any inspection, repairs, or maintenance of the premises.

17. **FIRE DEPARTMENT TO HAVE MASTER KEY TO BUILDING.** Lessee shall make a master key to the building available to the Lawrence Fire Department.
18. **EXTENSIONS OR RENEWAL OF LEASE.** Should the Lessee desire to negotiate for an extension or renewal of the lease provisions beyond its stated period, it shall be the responsibility of the Lessee to initiate contact with the Lessor six (6) months prior to the stated termination of the lease, in order to ascertain the Lessor's willingness to negotiate an extension or renewal of the lease.
19. **TERMINATION OF LEASE BY LESSEE.** Lessee shall provide Lessor with written notice of its desire to terminate the lease at least 90 days prior to vacating the premises.
20. **TERMINATION OF LEASE BY LESSOR.** If the Lessee shall violate any of the provisions of this lease or shall fail to keep any of its covenants, the Lessee shall be in default and the Lessor may terminate this lease and take possession of the premises either with or without process of law.
21. **MAINTENANCE OF STATUS AS NOT-FOR-PROFIT CORPORATION.** Lessee shall maintain in good order at all times during the term of this lease and any renewal or extension thereof, its status as a not-for-profit Kansas corporation and its status as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code.
22. **TAX EXEMPT STATUS OF PREMISES; DEBT FINANCING INSTRUMENTS OF THE CITY.** Lessee shall not do anything in its use or operation of the premises which will cause the Lessor to pay ad valorem property taxes for the premises or to endanger the tax exempt status of the general obligation bonds issued by the Lessor to finance a portion of the construction of the premises. If the Lessee shall do anything in its use or operation which causes the Lessor to pay ad valorem property taxes for all or a portion of the premises, the Lessee shall be responsible for all such property taxes. If the Lessee shall violate a covenant contained in the debt financing instruments of the City, or shall otherwise violate a law, regulation or covenant governing the debt financing instruments of the City, the Lessee shall immediately cease such unlawful violation and shall be financially responsible for all requirements to ensure lawful cure and compliance associated with the Lessee's violative activities.
23. **LAWRENCE ARTS CENTER ANNUAL REPORT AND INDEPENDENT AUDITORS' REPORT.** The Lessee shall submit annually to the governing body of the City of Lawrence, Kansas, copies of the Lawrence Arts Center Annual Report and annual Independent

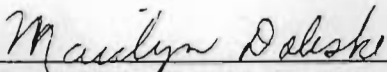
Auditors' Report. The Lessor shall have the authority to reasonably examine and audit the Lessee's financial records.

24. **CONSUMPTION OF ALCOHOLIC LIQUOR.** Pursuant to K.S.A. 41-719, no person shall drink or consume alcoholic liquor on the premises unless Lessee has applied for and received an exemption, by city ordinance, pursuant to K.S.A. 41-719(d).
25. **AMENDMENTS.** Amendments and alterations to this lease agreement shall be in writing.
26. **ASSIGNMENT.** Lessee shall not, at any time during the term of this lease or any renewal or extension thereof, in any manner, either directly or indirectly, assign, sublease, hypothecate or transfer this lease or any interest therein, without the prior written consent of Lessor.
27. **FINANCIAL SUPPORT.** The Lessor may provide the Lessee such financial support as the City Commission may deem appropriate from time to time.
28. **INTEGRATION.** This lease constitutes the entire agreement between the Lessor and Lessee. No supplement, modification or amendment of this lease shall be binding unless in writing and executed by each of the parties.
29. **INTREPRETATION OF THIS AGREEMENT.** The laws of the State of Kansas shall govern the validity, performance and enforcement of this lease agreement. This lease agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and legal representatives. In the event that a court of competent jurisdiction shall declare any portion of this lease agreement invalid, the parties agree that the remaining terms and provisions of this lease agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed and made effective as of the day and year first set out.

LAWRENCE ARTS CENTER, INC.

Approved by a majority of the Board of Directors of Lawrence Arts Center, Inc, on the 19th day of September, 2000, pursuant to minutes of such meeting attached to this Agreement as Exhibit "B."



Marilyn Dobski, President
Board of Directors, Lawrence Arts Center, Inc.

STATE OF KANSAS)
)
COUNTY OF DOUGLAS)

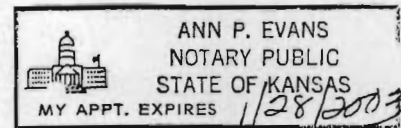
BE IT REMEMBERED, that on this 28 day of November, 2000, before me, the undersigned, a Notary Public in and for the County and State aforesaid came Marilyn Delisk, who is personally known to me to be the same person who executed the within and foregoing instrument of writing, and duly acknowledged the execution of the same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

Ann P Evans
Notary Public

My Commission Expires: 1/28/2003

David Longhurst
David Longhurst, Secretary/Treasurer,
Board of Directors, Lawrence Arts Center, Inc.



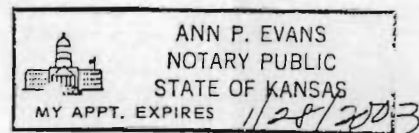
STATE OF KANSAS)
)
COUNTY OF DOUGLAS)

BE IT REMEMBERED, that on this 21 day of November, 2000, before me, the undersigned, a Notary Public in and for the County and State aforesaid came David Longhurst, who is personally known to me to be the same person who executed the within and foregoing instrument of writing, and duly acknowledged the execution of the same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.

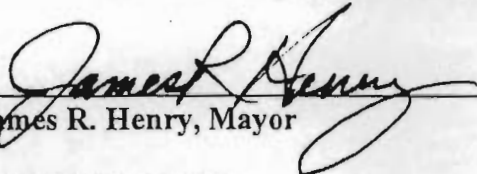
Ann P Evans
Notary Public

My Commission Expires: 1/28/2003



CITY OF LAWRENCE, KANSAS

This Lease Agreement is approved as authorized by the governing body of the City of Lawrence, Kansas this 10th day of October, 2000.

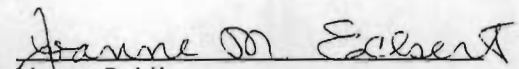

James R. Henry, Mayor

STATE OF KANSAS)
)
COUNTY OF DOUGLAS)

BE IT REMEMBERED, that on this 28th day of November, 2000, before me, the undersigned, a Notary Public in and for the County and State aforesaid came James R. Henry Mayor who is personally known to me to be the same person who executed the within and foregoing instrument of writing, and duly acknowledged the execution of the same.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above written.




Notary Public

My Commission Expires: 11/4/2002


Attest: Raymond J. Hummert, City Clerk